

Oakland Unified School District

**Districtwide Teacher Retention and Middle School Improvement Act
(Measure G1 Parcel Tax)**

Audit Reports for the Year Ended June 30, 2018

**Districtwide Teacher Retention and Middle School Improvement Act (Measure G1 Parcel Tax)
Audit Reports for the Year Ended June 30, 2018**

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*Charter school has not submitted a report to the District at time of publication.

**Districtwide Teacher Retention and Middle School Improvement Act (Measure G1 Parcel Tax)
Audit Reports for the Year Ended June 30, 2018**

Goals of Measure G1

- Attract and retain school-site educators.
- Increase access to courses in arts, music, and world languages in grades 6-8.
- Improve student retention during the transition from elementary to middle school.
- Create a more positive and safe middle-school learning environment.

Specific Purpose of Measure G1

The Districtwide Teacher Retention and Middle School Improvement Act Fund is established to provide a salary increase to school-site educators district-wide, including Charter schools in the District, and to provide Middle School grants which shall be allocated pursuant to the Education Improvement Plan submitted by each Middle School as further described in the ballot text, and which shall be spent in furtherance of the goals set forth in the section entitled “Goals of Measure G1” above.

Independent Annual Audit

For so long as any proceeds remain unexpended, the District shall cause an independent financial auditor to prepare a report to be filed with the Board of Education and made publicly available.

Audit reports of the Oakland Unified School District and each recipient charter school, as listed in the table of contents, are contained in the following pages.

Attachment A

Oakland Unified School District

**OAKLAND UNIFIED SCHOOL DISTRICT
MEASURE G1 PARCEL TAX**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND SUPPLEMENTARY SCHEDULES**

FOR THE YEAR ENDED JUNE 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Independent Auditor's Report

Board of Education and
Measure G1 Citizens' Oversight Committee
Oakland Unified School District

We have audited Oakland Unified School District's compliance with the requirements described in the November 8, 2016 Measure G1 for the year ended June 30, 2018.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Oakland Unified School District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Oakland Unified School District's compliance based on our audit.

We conducted our audit of compliance 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 Oakland Unified School District has complied with the compliance requirements as specified in the November 8, 2016 Measure G1. An audit includes examining, on a test basis, evidence about Oakland Unified School District'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. Our audit does not provide a legal determination of Oakland Unified School District's compliance with those requirements.

Opinion

In our opinion, Oakland Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the November 8, 2016 Measure G1 for the year ended June 30, 2018.


Internal Control Over Compliance

Management of Oakland Unified School District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Oakland Unified School District's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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. Accordingly, this report is not suitable for any other purpose.

Vaurinek, Trine, Day 

December 11, 2018

Appendix I
Summary of audit procedures

Objectives of our audit

- Ensure proceeds and expenditures of the parcel tax are fully accounted in the books and records of the district.
- Ensure expenditures are in support of allowable uses as per the ballot language, separately with respect to middle school grants, salary for school site educators, and administrative overhead.
- Ensure that middle school grants and charter school grants were allocated as per the ballot language.
- Ensure that the administrative overhead allocation does not exceed 1% cumulatively from inception, exclusive of county collection costs.
- Ensure that middle school grant expenditures agree with the education improvement plans that were approved by the Citizens' Oversight Committee.
- Ensure that expenditures of Measure G1 are only for supplemental activities.

Scope

- District expenditures funded by measure G1 during the fiscal year ending June 30, 2018.

Methodology

The following describes the audit procedures and our related findings.

1. Obtain parcel tax expenditure detail reports prepared by the District and agree amounts to the general ledger.

Finding - No exceptions were identified from applying this procedure. The Measure G1 accounting records are complete and include all activity during the fiscal year. The summary financial schedules provided in Appendix II reconcile with the District's accounting records.

2. Review the nature of the expenditures incurred by the school sites, and review source documents as appropriate, to ensure they were within the specific purposes of the ballot language.

Finding – Except as noted later in this section, no exceptions were identified from applying this procedure. We analytically reviewed the entire population of expenditure accounting records to search for transactions outside the scope allowable expenditures. Individual transactions were selected for additional audit analysis, which includes reviewing source documents such as invoices, contracts, purchase orders, or payroll records. Subjected to the additional audit analysis were 52 individual transactions aggregating \$696K or 58% of the \$1.2 million of total District site level transactions.

We identified 1 transaction of \$2,999.28 outside the scope of allowable G1 expenditures. The expense was for a substitute teacher salary, which we do not consider within the scope of measure G1 because the underlying class would not have been eligible for G1 funding. Had the activity of which the substitute was providing been an eligible activity of Measure G1, the substitute teacher salary would likely been considered allowable. The noncompliance is isolated to one transaction at one school and is not an indicator of a larger systemic issue.

We recommend that management 1) follow-up with the site in question to clarify appropriate G1 activities; 2) review the sites fiscal year 2019 expenditures for compliance with G1; and 3) transfer the expense to an allowable funding source.

Our opinion on the District's overall compliance with Measure G1 is not modified due to this exception.

3. Select a sample of payroll related expenditures and obtain and review the necessary supporting documentation to satisfy ourselves that they were only to supply raises to “school site educators,” as the term is used in the ballot text.

Finding – This procedure is applicable in fiscal year 2018-19, when this activity will be funded.

4. Ensure the same percentage increase in salary was applied to all school site educators.

Finding – This procedure is applicable in fiscal year 2018-19, when this activity will be funded.

5. Verify if the parcel tax is funding supplemental activities by performing the following procedures. Ascertain if funds were used to provide services which were legally required to be made available by virtue of being a school. Also, perform procedures to ascertain whether the parcel tax funded services that were previously provided with another funding source.

Finding – Except as noted later in this section, no exceptions were identified from applying this procedure. The same transactions described in procedure 2 were evaluated to ascertain if G1 is providing for supplemental activities. The deviation and recommendation described in procedure 2 is also applicable to this procedure.

Our opinion on the District’s overall compliance with Measure G1 is not modified due to this exception.

6. Recalculate the ratio of administrative overhead charges to total proceeds to ensure that no more than 1% of proceeds are spent on administrative overhead, cumulative and exclusive of county collection costs.

Finding – No exceptions were identified from applying this procedure. The following tables shows the calculation of current year allowable administrative costs:

Current year G1 parcel tax proceeds	\$ 11,042,645
Less county tax collection fees	<u>(198,768)</u>
Basis for calculation of maximum administrative cost	<u>\$ 10,843,877</u>

Unspent administrative cost carryover from prior year	\$ -
Additions from current year tax proceeds	108,439
Less administrative costs funded by G1 in the current year	<u>-</u>
Unspent administrative cost carryover to the following year	<u>\$ 108,439</u>

No administrative costs were funded by Measure G1 in the current fiscal year. The \$108,439 is available to fund administrative costs in a future fiscal year.

7. Recalculate the 65/35 percent allocation between raises for school site educators and middle school grants.

Finding – This procedure is applicable in fiscal year 2018-19, when raises for school site educators will be funded.

8. Select a sample of district schools and a sample of charter schools. Test the allocation of grant proceeds to the sample of schools.

Finding – No exceptions were identified from applying this procedure. We recalculated the allocation of grant proceeds to District schools and charter schools. The allocation is consistently applied and calculated per the methodology described in Measure G1.

9. Obtain the approved education improvement plans for a sample of middle schools and verify if the actual parcel tax expenditures are consistent with the approved plan.

Finding – Except as noted later in this section, no exceptions were identified from applying this procedure. The same transactions described in procedure 2 were also subjected to this procedure. We identified the following G1 funded activities that were not included on an approved site plan:

- \$2,999.28 for a substitute teacher salary. (This is the same transaction described in procedure 2.)
- \$6,393.58 for art supplies. The site plan’s approved budget for these expenditures was \$3,224. This is otherwise a permissible measure G1 expense.
- \$10,500 for chorus. This activity was not part of the sites approved spending plan. This is otherwise a permissible measure G1 expense.

The noncompliance is isolated to these transactions and is not an indicator of a larger systemic issue.

We recommend that management 1) follow-up with the sites in question to clarify appropriate G1 activities; 2) review the sites fiscal year 2019 expenditures for compliance with site plans; and 3) transfer the expense to an allowable funding source.

Our opinion on the District’s overall compliance with Measure G1 is not modified due to this exception.

10. Examine supporting documentation to validate the amount of Measure G1 Parcel Tax revenues received.

Finding – No exceptions were identified from applying this procedure. Current year revenues of \$11,048,980 are correctly recorded into the accounting records of Measure G1.

Appendix II
Summary financial schedules

Table 1, Schedule of Income Statement Accounts for the year ended June 30, 2018

Revenues

Measure G1 parcel tax collections \$11,042,645

Expenditures

Direct District site expenditures - Middle School Grants 1,200,750

Charter school reimbursements made - Middle School Grants 306,157

County collection fee 198,768

Total expenditures 1,705,675

Change in fund balance 9,336,970

Fund balance - beginning of year -

Fund balance - end of year \$ 9,336,970

Table 2, Allocations and Ending Balances as of and for the year ended June 30, 2018

Site	FY 2017-18 Allocation	FY 2017-18 Actual expense	Carryover at June 30, 2018
District Schools			
Alliance Academy	\$ 73,478	\$ 67,770	\$ 5,708
Bret Harte	94,949	80,948	14,001
Claremont	54,870	53,820	1,050
Coliseum College Prep Academy	47,236	34,915	12,321
Community Day Middle	1,193	-	1,193
Edna Brewer	124,769	119,067	5,702
Elmhurst Community Prep	86,838	85,267	1,571
Frick	51,530	50,000	1,530
Greenleaf	35,546	29,225	6,321
Hillcrest	3,817	-	3,817
La Escuelita	18,847	18,778	69
Life Academy	43,180	43,180	-
Madison Park Upper	83,021	92,571	(9,550)
Melrose Leadership Academy	30,536	-	30,536
Montera	92,563	91,609	954
Parker	17,415	17,026	389
Roosevelt	117,135	111,599	5,536
Roots International Academy	74,909	64,499	10,410
Sankofa	16,700	-	16,700
Sojourner Truth	1,670	-	1,670
United For Success Academy	76,579	76,152	427
Urban Promise	84,213	79,823	4,390
West Oakland Middle	42,226	30,000	12,226
Westlake	79,919	54,501	25,418
Total District schools	1,353,139	1,200,750	152,389

Site	FY 2017-18 Allocation	FY 2017-18 Actual expense	Carryover at June 30, 2018
Charter Schools			
American Indian Public Charter li	53,368	-	53,368
American Indian Public Charter School	26,684	-	26,684
Ascend Academy	29,000	29,000	-
Aspire Berkley Maynard Academy	27,981	3,092	24,889
Aspire Eres Academy	16,762	598	16,164
Aspire Golden State College Preparatory Academy	58,662	55,968	2,694
Aspire Wilson (Lionel) College Preparatory Academy	50,220	50,220	-
Bay Area Technology School (Baytech)	30,348	-	30,348
Community	6,649	6,649	-
Downtown Charter Academy	45,100	3,722	41,378
East Bay Innovation Academy	12,241	12,021	220
Epic Charter School	72,000	72,000	-
Kipp Bridge Charter Academy	36,230	-	36,230
Lazear	31,000	31,000	-
Lighthouse Community Charter	38,251	-	38,251
Lodestar	10,947	-	10,947
North Oakland Community Charter School	4,000	-	4,000
Oakland Charter Academy	44,437	11,233	33,204
Oakland Military Institute	40,424	-	40,424
Oakland School For The Arts	7,654	-	7,654
Oakland Unity Middle School	33,115	30,654	2,461
Urban	1,481	-	1,481
Yu-Ming	1,811	-	1,811
Total charter schools	678,365	306,157	372,208
Fiscal year 2017-18 Measure G1 totals	\$ 2,031,504	\$ 1,506,907	\$ 524,597

Notes to Table 2

Additional reimbursements of \$7,512 to Downtown Charter and \$15,119 to Oakland Charter were recorded in the District’s fiscal year 2018-19 accounting records.

With respect to charter schools, the “actual” column is reimbursement requests processed by the District for fiscal year 2017-18. Expenditures reported by a charter school could vary due to timing differences.

Other auditors conducted charter schools’ compliance audits.

Attachment B

Ascend Academy, Epic Charter School, Lazear

EDUCATION FOR CHANGE

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

OPERATING:

ACHIEVE ACADEMY

ASCEND

COX ACADEMY

EPIC CHARTER

LATITUDE 37.8 HIGH SCHOOL (OPENED AUGUST 2018)

LAZEAR CHARTER ACADEMY

LEARNING WITHOUT LIMITS

EPIC 1112 LLC

**EDUCATION FOR CHANGE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Education for Change
Oakland, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Education for Change (the School), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to on page 1 present fairly, in all material respects, the consolidated financial position of the School as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

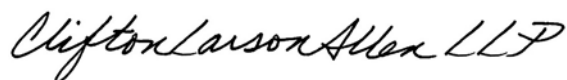
We have previously audited the School's 2017 consolidated financial statements, and our reported dated December 14, 2017, we expressed an unmodified audited opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 consolidated 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 consolidated 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 consolidated financial statements or to the consolidated 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 consolidated 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 December 11, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
December 11, 2018

**EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 969,667	\$ 3,750,609
Accounts Receivable - Federal and State	4,551,021	4,855,429
Accounts Receivable - Other	938	4,515
Prepaid Expenses and Other Assets	116,486	156,886
Total Current Assets	5,638,112	8,767,439
PROPERTY, PLANT, AND EQUIPMENT		
Land	1,066,938	1,066,938
Buildings and Building Improvements	2,006,514	1,069,661
Equipment	90,869	90,869
Construction in Progress	1,024,179	167,925
Accumulated Depreciation	(208,620)	(142,627)
Total Property, Plant, and Equipment	3,979,880	2,252,766
Total Assets	\$ 9,617,992	\$ 11,020,205
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 3,059,268	\$ 3,273,443
Total Current Liabilities	3,059,268	3,273,443
LONG-TERM LIABILITIES		
Prop 1D Liability	752,652	1,222,161
Total Long-Term Liabilities	752,652	1,222,161
Total Liabilities	3,811,920	4,495,604
NET ASSETS		
Unrestricted	5,806,072	6,524,601
Total Net Assets	5,806,072	6,524,601
Total Liabilities and Net Assets	\$ 9,617,992	\$ 11,020,205

See accompanying notes to consolidated financial statements.

**EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)**

	2018	2017
REVENUES, UNRESTRICTED		
State Revenue:		
State Aid	\$ 20,993,086	\$ 20,894,564
Other State Revenue	5,615,931	4,533,381
Federal Revenue:		
Grants and Entitlements	2,300,545	2,193,567
Local Revenue:		
In-Lieu Property Tax Revenue	6,536,088	6,698,435
Contributions	(126,474)	770,767
Other Revenue	2,170,835	132,404
Total Revenues	37,490,011	35,223,118
EXPENSES		
Program Services	32,744,203	30,178,983
Management and General	5,422,006	5,546,892
Fundraising	42,331	81,479
Total Expenses	38,208,540	35,807,354
CHANGE IN NET ASSETS	(718,529)	(584,236)
Unrestricted Net Assets - Beginning of Year	6,524,601	7,108,837
UNRESTRICTED NET ASSETS - END OF YEAR	\$ 5,806,072	\$ 6,524,601

See accompanying notes to consolidated financial statements.

**EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (718,529)	\$ (584,236)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Prop 1D Liability Converted to Grant Revenue	(469,509)	-
Depreciation	65,992	36,883
Change in Operating Assets:		
Accounts Receivable - Federal and State	304,408	(473,721)
Accounts Receivable - Other	3,577	(740)
Prepaid Expenses and Other Assets	40,400	147,186
Change in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	(214,175)	246,087
Net Cash Used by Operating Activities	(987,836)	(628,541)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	(1,793,106)	(194,630)
Net Cash Used by Investing Activities	(1,793,106)	(194,630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) from/to Prop 1D Liability	-	1,222,161
Net Cash Provided by Financing Activities	-	1,222,161
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,780,942)	398,990
Cash and Cash Equivalents - Beginning of Year	3,750,609	3,351,619
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 969,667	\$ 3,750,609
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 3,750	\$ 7,545
Non-cash Investing and Financing Transactions		
Prop 1D Liability Converted to Grant Revenue	\$ 469,509	\$ -

See accompanying notes to consolidated financial statements.

**EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)**

	Program Services	Management and General	Fundraising	Total 2018	Total 2017
Salaries and Wages	\$ 19,283,279	\$ 999,212	\$ -	\$ 20,282,491	\$ 18,050,909
Pension Expense	2,624,814	106,102	-	2,730,916	2,027,776
Other Employee Benefits	2,699,275	109,113	-	2,808,388	2,690,988
Payroll Taxes	757,912	30,638	-	788,550	742,315
District Oversight Fees	-	251,092	-	251,092	252,995
Legal Expenses	-	96,876	-	96,876	30,111
Other Fees for Services	2,832,254	2,694,307	-	5,526,561	6,303,052
Advertising and Promotion Expenses	-	42,223	-	42,223	81,457
Office Expenses	513,363	231,607	-	744,970	607,250
Printing and Postage Expenses	-	-	-	-	40,121
Information Technology Expenses	217,847	58,669	-	276,516	407,751
Occupancy Expenses	2,432,248	207,028	-	2,639,276	2,653,762
Travel Expenses	35,194	46,875	-	82,069	119,638
Conference and Meeting Expenses	51,947	141,465	-	193,412	200,168
Interest Expense	-	3,750	-	3,750	7,545
Depreciation Expense	65,992	-	-	65,992	36,883
Insurance Expense	10,923	117,339	-	128,262	115,393
Instructional Materials	897,651	-	-	897,651	936,299
Other Expenses	321,504	285,710	42,331	649,545	502,941
Total Functional Expenses 2018	<u>32,744,203</u>	<u>5,422,006</u>	<u>42,331</u>	<u>38,208,540</u>	
Total Functional Expenses 2017	<u>\$ 30,178,983</u>	<u>\$ 5,546,892</u>	<u>\$ 81,479</u>		<u>\$ 35,807,354</u>

See accompanying notes to consolidated financial statements.

EDUCATION FOR CHANGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Education for Change (the School) is a California nonprofit public benefit corporation and is organized to manage and operate a public charter school. The School began serving students in September 2011 and is funded principally through State of California public education monies received through the California Department of Education.

The charter may be revoked by the Glenn County Office of Education for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Education for Change (the School), a charter management organization, was incorporated on January 21, 2005, under the laws of the State of California as a nonprofit benefit corporation. The School currently manages six (7) charter schools, Achieve Academy (Achieve), ASCEND, Cox, Epic Charter (Epic), Lazear Charter Academy (Lazear), and Learning Without Limits (LWL) (the Schools). Cox was granted its charter in 2005; Achieve in 2006; ASCEND, Lazear, and LWL in 2012; Epic in 2014; and Latitude 37.8 High School in 2018, all pursuant to the terms of the Charter Schools Act of 1992, as amended. Achieve, ASCEND, Epic, and LWL are all sponsored by the Oakland Unified School District (the District); Cox and Lazear are sponsored by the Alameda County Office of Education (ACOE). Latitude 37.8 High School is sponsored by the California State Board of Education and began serving students in August 2018. The District and ACOE have certain responsibilities as the authorizers of the charter petitions of the Schools, and additional responsibilities as outlined in these agreements. The School also has certain responsibilities as the lead petitioner for these charters, and additional responsibilities as outlined in these agreements. The mission of the School is to achieve an excellent, high quality, free public education for all children with its focus on traditionally underserved children in the Oakland geographical area.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Epic 1112 LLC (the LLC), of which the School is the sole member. The LLC was formed to hold title to property located in Oakland, California.

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.

Use of Estimates

The preparation of consolidated 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.

Basis of Accounting

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

EDUCATION FOR CHANGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Basis of Presentation

The accompanying consolidated 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

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the School are defined as:

Unrestricted

All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.

Temporarily Restricted

These net assets are restricted by donors to be used for specific purposes. The School currently has no temporarily restricted net assets.

Permanently Restricted

These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2018. 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 value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The useful lives range varies from 5 to 30 years.

EDUCATION FOR CHANGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The entire compensated absences liability is reported on the statement of financial position. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons. Accrued sick leave is not paid out upon termination and therefore, not recorded on the consolidated financial statements.

Revenue Recognition

Amounts received from the California Department of Education are 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.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. 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.

EDUCATION FOR CHANGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 files informational returns in the U.S. federal jurisdiction, and the state of California.

The LLC is considered a disregarded entity and, therefore, exempt from the payment of income taxes. Additionally, the LLC is in the process of obtaining exemption from the California state LLC fee under California Revenue and Taxation Code Section 23701h.

Subsequent Events

The School has evaluated subsequent events through December 11, 2018, the date these consolidated financial statements were available to be issued.

Comparative Totals

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 2 CONCENTRATION OF CREDIT RISK

The School maintains an interest bearing cash account with a financial institution. The account at this institution is insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash in this account exceeds the maximum insured amount. The School has not experienced any losses regarding this account and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**EDUCATION FOR CHANGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 EMPLOYEE RETIREMENT

Multi-Employer Defined Benefit Pension Plans

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the state of California.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer 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 (c) if the School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. 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, 2017, total plan net assets are \$210 billion, the total actuarial present value of accumulated plan benefits is \$362 billion, contributions from all employers totaled \$4.2 billion, and the plan is 62.6% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826 and www.calstrs.com.

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, 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

**EDUCATION FOR CHANGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy (Continued)

The School's contributions to STRS are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2016	\$ 1,137,507	100%
2017	1,465,652	100%
2018	2,044,507	100%

Public Employees' Retirement System (PERS)

Plan Description

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for PERS is not publicly available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2017, the School Employer Pool total plan assets are \$63.6 billion, the total pension liability is \$84.9 billion, contributions from all employers totaled \$1.8 billion, and the plan is 71.9% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814 and www.calpers.ca.gov.

Funding Policy

Active plan members are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.5% 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 CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2018 was 15.531%. The contribution requirements of the plan members are established and may be amended by state statute.

**EDUCATION FOR CHANGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 EMPLOYEE RETIREMENT (CONTINUED)

Contributions to PERS

The School's contributions to PERS for each of the last three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2016	\$ 380,827	100%
2017	562,124	100%
2018	686,409	100%

Defined Contribution Plan

The School offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. Employee contributions are used to purchase annuity contracts for each participant employee. Additionally, the employer may elect to make a discretionary contribution for each qualifying employee for each plan year. The School did not contribute to the plan for the year ended June 30, 2018.

NOTE 4 OPERATING LEASES

The School leases its facilities under several lease agreements where the last lease expires in July of 2043. Lease expense under these agreements for the year ended June 30, 2018 was \$3,699,746.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 1,661,813
2020	1,599,350
2021	1,623,021
2022	1,647,216
2023	1,106,071
Thereafter	22,397,920
Total	<u>\$ 30,035,391</u>

NOTE 5 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.

**EDUCATION FOR CHANGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 COMMITMENTS

The School was awarded \$1,222,162 through Proposition 1D of which \$611,081 will be a grant and \$611,181 will be long-term debt. As the School incurs construction costs, the grant portion of the award is recognized. For the year ended June 30, 2018 \$469,509 of the Proposition 1D liability was recognized as grant revenue. Repayment of the debt portion will commence approximately one year after occupancy of the project.

NOTE 7 MEASURE G

The Teacher Retention and Middle School Improvement Act (Measure G1) was authorized by an election of the registered voters of the County of Alameda. Measure G1 was established to provide a districtwide educator salary increase designed to attract/retain teachers; provide enhanced middle school art, music, languages/other programs in addition to core educational programs; improve academic achievement; provide safe, positive schools, and prepare students for college/careers in Oakland Unified School District (OUSD) schools as well as charter schools in Oakland. The funds for this measure will come from OUSD levying a tax of \$120 per parcel, providing \$12.4 million annually, for 12 years, with exemptions for senior and low income residents. The School spent \$132,000 of parcel tax funding for the year ended June 30, 2018 on allowable uses and programs used to supplement and not supplant its educational curriculum.

A summary of revenue and expenses for the year ended June 30, 2018 are as follows:

	Epic Academy	Charter Academy	ASCEND	Total
Revenue:				
Parcel tax revenue	72,000	31,000	29,000	132,000
Expenses:				
Inductiion Coach	72,000	-	-	72,000
Assistant Principal of RTI and SPED	-	31,000	-	31,000
Director of School Culture & System Support	-	-	29,000	29,000
Total expenses	72,000	31,000	29,000	132,000
Net income	-	-	-	-

NOTE 8 SUBSEQUENT EVENTS

The School opened a new charter school, Latitude 37.8 High School in August 2018.

SUPPLEMENTARY INFORMATION

**EDUCATION FOR CHANGE
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2018**

Education for Change (the School) is a California nonprofit public benefit corporation and is organized to manage and operate a public charter school. The School began serving students in September 2011 and is funded principally through State of California public education monies received through the California Department of Education. The School is sponsored by the Glenn County Office of Education District (the Sponsor).

The School's current charters are as follows:

Achieve Academy

Charter granted in 2006 by Oakland Unified School District and renewed in 2011.
State charter number: 0780

ASCEND

Charter granted in 2012 by Oakland Unified School District.
State charter number: 1443

Cox Academy

Charter granted in 2005 by Oakland Unified School District and renewed in 2015 by Alameda County Office of Education.
State charter number: 0740

Epic Charter

Charter granted in 2014 by Oakland Unified School District.
State charter number: 1632

Lazear Charter Academy

Charter granted in 2012 by Alameda County Office of Education.
State Charter Number: 1464

Learning Without Limits

Charter granted in 2012 by Oakland Unified School District.
State Charter number: 1442

Latitude 37.8 High School (opened in August 2018)

Charter granted in 2018 by California State Board of Education
State Charter number: 2015

**EDUCATION FOR CHANGE
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (CONTINUED)
YEAR ENDED JUNE 30, 2018**

The Board of Directors and the Administrators as of the year ended June 30, 2018 were as follows:

BOARD OF DIRECTORS

Member	Office	Term Expires
Nick Driver	Chair	2019 (3 Years)
Brian Rogers	Vice Chair	2019 (3 Years)
Michael Barr	Treasurer	2019 (3 Years)
LaRayne Povlsen	Board Secretary	No Term
Eva Camp	Member	2019 (3 Years)
Paul Byrd	Member	2018 (1 Year)
Adam Smith	Member	2019 (3 Years)
Sadhir Aggarwal	Member	2017 (3 Years)
Dirk Tillotson	Member	2019 (3 Years)
Kathy Cash	Member	2018 (1 Year)
Roy Benford	Member	2019 (3 Years)

ADMINISTRATORS

Hae-Sin Thomas	Chief Executive Officer
Noah Bradley	Chief Academic Officer
Fabiola Harvey	Chief Operating Officer
Enikia Fort-Morthel	Chief of Schools

**EDUCATION FOR CHANGE
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018**

Grade Level	Instructional Minutes		Traditional Calendar Days	Status
	Requirement	Actual		
Achieve Academy				
Kindergarten	36,000	58,650	177	In compliance
Grades 1 - 3	50,400	53,310	177	In compliance
Grades 4 - 5	54,000	55,110	177	In compliance
ASCEND				
Kindergarten	36,000	58,345	175	In compliance
Grades 1 - 3	50,400	54,925	175	In compliance
Grades 4 - 6	54,000	56,350	175	In compliance
Grades 6 - 8	54,000	58,400	175	In compliance
Cox Academy				
Kindergarten	36,000	57,255	177	In compliance
Grades 1 - 3	50,400	53,820	177	In compliance
Grades 4 - 5	54,000	55,890	177	In compliance
Lazear Charter Academy				
Kindergarten	36,000	59,400	177	In compliance
Grades 1 - 3	50,400	54,075	177	In compliance
Grades 4 - 5	54,000	55,860	177	In compliance
Grades 6 - 8	54,000	57,291	177	In compliance
Learning Without Limits				
Kindergarten	36,000	63,715	177	In compliance
Grades 1 - 3	50,400	61,060	177	In compliance
Grades 4 - 5	54,000	61,060	177	In compliance
Epic Academy				
Grade 6-8	54,000	59,059	177	In compliance

**EDUCATION FOR CHANGE
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018**

<u>Average Daily Attendance</u>	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
Achieve Academy				
TK/K-3	413.80	416.23	413.36	415.95
Grades 4 and 5	<u>226.02</u>	<u>227.12</u>	<u>255.41</u>	<u>226.54</u>
Total Achieve Academy	639.82	643.35	668.77	642.49
ASCEND				
TK/K-3	211.79	213.56	211.71	213.66
Grades 4 through 6	151.98	153.56	151.95	153.41
Grades 7 and 8	<u>99.64</u>	<u>100.54</u>	<u>99.61</u>	<u>100.54</u>
Total ASCEND Academy	463.41	467.66	463.27	467.61
Cox Academy				
TK/K-3	369.85	373.52	371.99	375.26
Grades 4 and 5	<u>177.90</u>	<u>179.44</u>	<u>177.40</u>	<u>178.88</u>
Total Cox Academy	547.75	552.96	549.39	554.14
Lazear Charter Academy				
TK/K-3	188.01	190.02	190.46	192.66
Grades 4 through 6	152.26	153.35	152.59	153.61
Grades 7 through 8	<u>102.47</u>	<u>103.49</u>	<u>101.40</u>	<u>102.26</u>
Total Lazear Charter Academy	442.74	446.86	444.45	448.53
Learning Without Limits				
TK/K-3	270.83	272.27	271.48	273.01
Grades 4 through 5	<u>131.41</u>	<u>132.59</u>	<u>131.66</u>	<u>132.69</u>
Total Learning Without Limits	402.24	404.86	403.14	405.70
Epic Academy				
Grades 4 through 6	108.22	108.55	107.16	107.41
Grades 7 through 8	<u>205.00</u>	<u>205.39</u>	<u>202.90</u>	<u>203.48</u>
Total World Academy	<u>313.22</u>	<u>313.94</u>	<u>310.06</u>	<u>310.89</u>
Total Average Daily Attendance	<u>2,809.18</u>	<u>2,829.63</u>	<u>2,839.08</u>	<u>2,829.36</u>

See the auditors' report and the notes to supplementary information

**EDUCATION FOR CHANGE
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

	<u>Achieve Academy</u>	<u>ASCEND</u>	<u>Cox Academy</u>	<u>Epic Academy</u>	<u>Lazear Charter Academy</u>	<u>Learning Without Limits</u>
June 30, 2018 Annual Financial Report Fund Balances (Net Assets)	\$ 3,006,328	\$ 739,349	\$ 1,306,441	\$ 203,206	\$ 881,106	\$ 655,300
Adjustments and Reclassifications:						
Increase (Decrease) of Fund Balance (Net Assets):						
Cash and Cash Equivalents	(2,140,531)	(3,363)	(595,253)	(1,163,115)	224,857	73,671
Accounts Receivable - Federal and State	41,414	90,866	8,611	80,486	(9,491)	26,147
Intercompany Receivable	2,200,000	-	800,000			177,252
Property, Plant, and Equipment, Net	(4,021)	(2,966)	(6,113)	-	(3,279)	(2,808)
Accounts Payable and Accrued Liabilities	24,283	(9,000)	(127,670)	1,757,678	(120,120)	(150,546)
Intercompany Payable				(563,377)	(412,605)	
Deferred Revenue	-	-	-	-	313,974	-
Net Adjustments and Reclassifications	<u>121,145</u>	<u>75,537</u>	<u>79,575</u>	<u>111,672</u>	<u>(6,664)</u>	<u>123,716</u>
June 30, 2018 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 3,127,473</u>	<u>\$ 814,886</u>	<u>\$ 1,386,016</u>	<u>\$ 314,878</u>	<u>\$ 874,442</u>	<u>\$ 779,016</u>

See the auditors' report and the notes to supplementary information

**EDUCATION FOR CHANGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Achieve Academy	ASCEND	Cox Academy	Epic Academy	Lazear Charter Academy	Learning Without Limits	Total Federal Expenditures
U.S. Department of Education									
Pass-Through the California Department of Education									
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 309,418	\$ 174,401	\$ 211,007	\$ 210,422	\$ 180,364	\$ 162,807	\$ 1,248,419
Title I, Part C, Migrant Ed	84.011	14326	-	-	-	-	4,426	-	4,426
Title II, Part A, Improving Teacher Quality	84.367	14341	34,179	20,709	14,415	22,581	20,876	18,062	130,822
Title III, Part A, Limited English Proficiency	84.365	14346	65,441	30,991	30,162	18,713	31,522	21,773	198,602
Charter Schools Facilities Incentive Grant	84.282D	N/A	56,372	131,454	-	12,589	44,798	74,456	319,669
Special Education Cluster:									
IDEA Basic Local Assistance Entitlement, Part B	84.027	13379	92,931	59,584	75,999	55,965	59,714	54,414	398,607
Subtotal Special Education Cluster			<u>92,931</u>	<u>59,584</u>	<u>75,999</u>	<u>55,965</u>	<u>59,714</u>	<u>54,414</u>	<u>398,607</u>
<i>Total U.S. Department of Education</i>			<u>558,341</u>	<u>417,139</u>	<u>331,583</u>	<u>320,270</u>	<u>341,700</u>	<u>331,512</u>	<u>2,300,545</u>
Total Expenditures of Federal Awards			<u>\$ 558,341</u>	<u>\$ 417,139</u>	<u>\$ 331,583</u>	<u>\$ 320,270</u>	<u>\$ 341,700</u>	<u>\$ 331,512</u>	<u>\$ 2,300,545</u>

See the auditors' report and the notes to supplementary information

EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Achieve Academy	ASCEND	Cox Academy	Epic Academy	Lazear Charter Academy	Learning Without Limits	Latitude	Home Office	Eliminations	Total
ASSETS										
CURRENT ASSETS										
Cash and Cash Equivalents	\$ 120,397	\$ 178,159	\$ 123,448	\$ 129	\$ 226,887	\$ 320,647	\$ -	\$ -	\$ -	\$ 969,667
Accounts Receivable - Federal and State	989,374	806,962	835,553	433,796	870,556	614,780	-	-	-	4,551,021
Accounts Receivable - Other	-	-	-	-	-	-	-	938	-	938
Intercompany Receivable	2,200,000	-	800,000	-	-	177,252	-	-	(3,177,252)	-
Prepaid Expenses and Other Assets	1,198	7,559	24,368	67,583	3,026	10,606	-	2,146	-	116,486
Total Current Assets	<u>3,310,969</u>	<u>992,680</u>	<u>1,783,369</u>	<u>501,508</u>	<u>1,100,469</u>	<u>1,123,285</u>	-	<u>3,084</u>	<u>(3,177,252)</u>	<u>5,638,112</u>
PROPERTY, PLANT, AND EQUIPMENT										
Land	-	-	-	-	-	-	-	1,066,938	-	1,066,938
Buildings and Building Improvements	168,634	178,002	196,739	773,020	493,380	196,739	-	-	-	2,006,514
Equipment	2,834	-	2,226	49,943	-	-	-	35,866	-	90,869
Construction In Progress	60,808	-	3,750	4,000	939,020	3,750	-	12,851	-	1,024,179
Accumulated Depreciation	(8,865)	(5,933)	(9,104)	(113,243)	(29,051)	(6,558)	-	(35,866)	-	(208,620)
Total Property, Plant, and Equipment	<u>223,411</u>	<u>172,069</u>	<u>193,611</u>	<u>713,720</u>	<u>1,403,349</u>	<u>193,931</u>	-	<u>1,079,789</u>	-	<u>3,979,880</u>
Total Assets	<u>\$ 3,534,380</u>	<u>\$ 1,164,749</u>	<u>\$ 1,976,980</u>	<u>\$ 1,215,228</u>	<u>\$ 2,503,818</u>	<u>\$ 1,317,216</u>	<u>\$ -</u>	<u>\$ 1,082,873</u>	<u>\$ (3,177,252)</u>	<u>\$ 9,617,992</u>
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts Payable and Accrued Liabilities	\$ 406,907	\$ 349,863	\$ 590,964	\$ 336,973	\$ 464,119	\$ 538,200	\$ 20,315	\$ 351,927	\$ -	\$ 3,059,268
Intercompany Payable	-	-	-	563,377	412,605	-	176,756	2,024,514	(3,177,252)	-
Total Current Liabilities	<u>406,907</u>	<u>349,863</u>	<u>590,964</u>	<u>900,350</u>	<u>876,724</u>	<u>538,200</u>	<u>197,071</u>	<u>2,376,441</u>	<u>(3,177,252)</u>	<u>3,059,268</u>
LONG-TERM LIABILITIES										
Prop 1D Liability	-	-	-	-	752,652	-	-	-	-	752,652
Total Liabilities	<u>406,907</u>	<u>349,863</u>	<u>590,964</u>	<u>900,350</u>	<u>1,629,376</u>	<u>538,200</u>	<u>197,071</u>	<u>2,376,441</u>	<u>(3,177,252)</u>	<u>3,811,920</u>
NET ASSETS										
Unrestricted	<u>3,127,473</u>	<u>814,886</u>	<u>1,386,016</u>	<u>314,878</u>	<u>874,442</u>	<u>779,016</u>	<u>(197,071)</u>	<u>(1,293,568)</u>	<u>-</u>	<u>5,806,072</u>
Total Liabilities and Net Assets	<u>\$ 3,534,380</u>	<u>\$ 1,164,749</u>	<u>\$ 1,976,980</u>	<u>\$ 1,215,228</u>	<u>\$ 2,503,818</u>	<u>\$ 1,317,216</u>	<u>\$ -</u>	<u>\$ 1,082,873</u>	<u>\$ (3,177,252)</u>	<u>\$ 9,617,992</u>

See the auditors' report and the notes to supplementary information

**EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Achieve Academy</u>	<u>ASCEND</u>	<u>Cox Academy</u>	<u>Epic Academy</u>	<u>Lazear Charter Academy</u>	<u>Learning Without Limits</u>	<u>Latitude</u>	<u>Home Office</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES, UNRESTRICTED										
State Revenue:										
State Aid	\$ 4,834,010	\$ 3,442,539	\$ 4,162,407	\$ 2,266,222	\$ 3,280,622	\$ 3,007,286	\$ -	\$ -	\$ -	\$ 20,993,086
Other State Revenue	998,358	836,447	821,013	972,669	1,327,696	659,748	-	-	-	\$ 5,615,931
Federal Revenue:										
Grants And Entitlements	558,341	417,139	331,583	320,270	341,700	331,512	-	-	-	2,300,545
Local Revenue:										
In-Lieu Property Tax Revenue	1,486,068	1,080,243	1,277,277	725,167	1,032,151	935,182	-	-	-	6,536,088
Contributions	146,049	257,044	152,247	1,483,892	49,244	76,620	245,000	636,553	(3,173,123)	(126,474)
Other Revenue	23,210	23,524	-	65,150	32,300	18,866	-	5,871,146	(3,863,361)	2,170,835
Total Unrestricted Revenues	<u>8,046,036</u>	<u>6,056,936</u>	<u>6,744,527</u>	<u>5,833,370</u>	<u>6,063,713</u>	<u>5,029,214</u>	<u>245,000</u>	<u>6,507,699</u>	<u>(7,036,484)</u>	<u>37,490,011</u>
EXPENSES										
Program Services	6,429,602	4,680,274	5,341,360	4,419,061	4,587,711	3,847,572	409,092	6,202,654	(3,173,123)	32,744,203
Management and General	1,445,274	1,233,032	1,283,266	601,682	1,118,320	941,248	32,979	2,629,566	(3,863,361)	5,422,006
Fundraising	-	14,502	10,296	1,651	13,165	-	-	2,717	-	42,331
Total Expenses	<u>7,874,876</u>	<u>5,927,808</u>	<u>6,634,922</u>	<u>5,022,394</u>	<u>5,719,196</u>	<u>4,788,820</u>	<u>442,071</u>	<u>8,834,937</u>	<u>(7,036,484)</u>	<u>38,208,540</u>
CHANGE IN UNRESTRICTED NET ASSETS	171,160	129,128	109,605	810,976	344,517	240,394	(197,071)	(2,327,238)	-	(718,529)
Unrestricted Net Assets - Beginning of Year	<u>2,956,313</u>	<u>685,758</u>	<u>1,276,411</u>	<u>(496,098)</u>	<u>529,925</u>	<u>538,622</u>	<u>-</u>	<u>1,033,670</u>	<u>-</u>	<u>6,524,601</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 3,127,473</u>	<u>\$ 814,886</u>	<u>\$ 1,386,016</u>	<u>\$ 314,878</u>	<u>\$ 874,442</u>	<u>\$ 779,016</u>	<u>\$ (197,071)</u>	<u>\$ (1,293,568)</u>	<u>\$ -</u>	<u>\$ 5,806,072</u>

See the auditors' report and the notes to supplementary information

**EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	<u>Achieve Academy</u>	<u>ASCEND</u>	<u>Cox Academy</u>	<u>Epic Academy</u>	<u>Lazear Charter Academy</u>	<u>Learning Without Limits</u>	<u>Latitude</u>	<u>Home Office</u>	<u>Eliminations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES										
Change in Net Assets	\$ 171,160	\$ 129,128	\$ 109,605	\$ 810,976	\$ 344,517	\$ 240,394	\$ (197,071)	\$ (2,327,238)	\$ -	\$ (718,529)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:										
Prop 1D Liability Converted to Grant Revenue	-	-	-	-	(469,509)	-	-	-	-	(469,509)
Depreciation	5,621	5,933	6,558	25,767	15,555	6,558	-	-	-	65,992
(Increase) Decrease in Operating Assets:										
Accounts Receivable - Federal and State	16,529	(88,407)	4,008	378,461	(30,116)	18,486	-	5,447	-	304,408
Accounts Receivable - Other	-	-	475	-	-	-	-	3,102	-	3,577
Intercompany Receivable	(369,024)	-	(799,425)	-	-	(177,252)	-	135,134	1,210,567	-
Prepaid Expenses and Other Assets	9,954	6,536	(18,415)	25,038	10,611	(6,856)	-	13,532	-	40,400
Increase (Decrease) in Operating Liabilities:										
Accounts Payable and Accrued Liabilities	(206,984)	11,407	(65,884)	(34,338)	(56,819)	(27,381)	20,315	145,509	-	(214,175)
Intercompany Payable	-	-	-	(1,243,333)	252,630	-	176,756	2,024,514	(1,210,567)	-
Net Cash Provided (Used) by Operating Activities	<u>(372,744)</u>	<u>64,597</u>	<u>(763,078)</u>	<u>(37,429)</u>	<u>66,869</u>	<u>53,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(987,836)</u>
CASH FLOWS FROM INVESTING ACTIVITIES										
Purchases of Property, Plant, and Equipment	<u>(178,989)</u>	<u>(178,002)</u>	<u>(196,739)</u>	<u>(3,999)</u>	<u>(1,038,638)</u>	<u>(196,739)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,793,106)</u>
Net Cash Used by Investing Activities	<u>(178,989)</u>	<u>(178,002)</u>	<u>(196,739)</u>	<u>(3,999)</u>	<u>(1,038,638)</u>	<u>(196,739)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,793,106)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(551,733)</u>	<u>(113,405)</u>	<u>(959,817)</u>	<u>(41,428)</u>	<u>(971,769)</u>	<u>(142,790)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,780,942)</u>
Cash and Cash Equivalents - Beginning of Year	<u>672,130</u>	<u>291,564</u>	<u>1,083,265</u>	<u>41,557</u>	<u>1,198,656</u>	<u>463,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750,609</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 120,397</u>	<u>\$ 178,159</u>	<u>\$ 123,448</u>	<u>\$ 129</u>	<u>\$ 226,887</u>	<u>\$ 320,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 969,667</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE										
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,750</u>	<u>\$ -</u>	<u>\$ 3,750</u>
Non-cash Investing and Financing Transactions										
Prop 1D Liability Converted to Grant Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,509</u>

See the auditors' report and the notes to supplementary information

**EDUCATION FOR CHANGE
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

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 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 CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal governmental for the year ended June 30, 2018. The information in this Schedule is presented on the accrual basis of accounting in accordance with the requirements of the 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 operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

NOTE 5 INDIRECT COST RATE

The School has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 6 CONSOLIDATING FINANCIAL STATEMENTS

These statements report the financial position, activities, and cash flows for each of Education for Change's charter schools.



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

Board of Directors
Education for Change
Oakland, 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 Education for Change (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated December 11, 2018.

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 consolidated 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 consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s consolidated 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
December 11, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Directors
Education for Change
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Education for Change (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of 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, 2018.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a 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, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over 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.



CliftonLarsonAllen LLP

Glendora, California
December 11, 2018

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
 Education for Change
 Oakland, California

We have audited Education for Change's (the School) compliance with the types of compliance requirements described in the *2017-2018 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, 2018. 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.

Auditor's 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 *2017-2018 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:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
Before and After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

<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 ¹
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

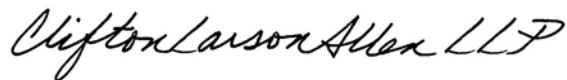
¹ Nonclassroom ADA was under the threshold that required testing.

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, 2018.

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 *2017-2018 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
December 11, 2018

**EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to consolidated financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A – Low Income and Neglected
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u> 750,000 </u>
Auditee qualified as low-risk auditee?	<u> x </u> yes _____ no

**EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

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
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*.

**EDUCATION FOR CHANGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

There were no financial statement findings in the prior year.

Attachment C

East Bay Innovation Academy

EAST BAY INNOVATION ACADEMY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

**EAST BAY INNOVATION ACADEMY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Bay Innovation Academy
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of East Bay Innovation Academy (the Academy), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Academy as of June 30, 2018, 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 Academy's financial statements as a whole. The accompanying supplementary schedules 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 November 26, 2018 on our consideration of the Academy'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 Academy'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 Academy's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
November 26, 2018

**EAST BAY INNOVATION ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	383,725
Accounts Receivable - Federal and State		540,732
Accounts Receivable - Other		16,005
Prepaid Expenses and Other Assets		<u>44,689</u>
Total Assets	\$	<u><u>985,151</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$	332,892
Deferred Revenue		50,000
Revolving Loan Payable, Current Portion		<u>50,000</u>
Total Current Liabilities		432,892

LONG-TERM LIABILITIES

Revolving Loan Payable		<u>50,006</u>
Total Long-Term Liabilities		<u>50,006</u>
Total Liabilities		<u>482,898</u>

NET ASSETS

Unrestricted		<u>502,253</u>
Total Net Assets		<u>502,253</u>
Total Liabilities and Net Assets	\$	<u><u>985,151</u></u>

See accompanying Notes to Financial Statements.

**EAST BAY INNOVATION ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

UNRESTRICTED REVENUES

State Revenue:	
State Aid	\$ 2,754,705
Other State Revenue	695,083
Federal Revenue:	
Grants and Entitlements	232,669
Local Revenue:	
In-Lieu Property Tax Revenue	1,084,909
Contributions	459,359
Interest Income	2
Other Revenue	<u>159,871</u>
Total Unrestricted Revenues	<u>5,386,598</u>

EXPENSES

Program Services	5,005,339
Management and General	<u>343,519</u>
Total Expenses	<u>5,348,858</u>

CHANGE IN UNRESTRICTED NET ASSETS

37,740

Net Unrestricted Assets - Beginning of Year

464,513

NET UNRESTRICTED ASSETS - END OF YEAR

\$ 502,253

See accompanying Notes to Financial Statements.

**EAST BAY INNOVATION ACADEMY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	37,740
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Operating Assets:		
Accounts Receivable - Federal and State		(79,641)
Accounts Receivable - Other		9,985
Prepaid Expenses and Other Assets		1,051
Change in Operating Liabilities:		
Accounts Payable and Accrued Liabilities		15,049
Deferred Revenue		50,000
Net Cash Provided by Operating Activities		34,184

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of Debt		(49,998)
Net Cash Used by Financing Activities		(49,998)

NET CHANGE IN CASH AND CASH EQUIVALENTS

(15,814)

Cash and Cash Equivalents - Beginning of Year

399,539

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 383,725

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	\$	319
		319

See accompanying Notes to Financial Statements.

**EAST BAY INNOVATION ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and Wages	\$ 2,615,176	\$ 75,334	\$ -	\$ 2,690,510
Pension Expense	278,976	8,036	-	287,012
Other Employee Benefits	233,666	6,731	-	240,397
Payroll Taxes	95,196	2,742	-	97,938
Legal Expenses	-	90,526	-	90,526
Accounting Expenses	-	11,007	-	11,007
Instructional Materials	216,023	-	-	216,023
Other Fees for Services	905,892	112,192	-	1,018,084
Advertising and Promotion Expenses	4,978	-	-	4,978
Office Expenses	-	36,632	-	36,632
Information Technology Expenses	45,328	-	-	45,328
Occupancy Expenses	489,345	-	-	489,345
Travel Expenses	2,032	-	-	2,032
Interest Expense	-	319	-	319
Insurance Expense	32,278	-	-	32,278
Other Expenses	86,449	-	-	86,449
	<u>\$ 5,005,339</u>	<u>\$ 343,519</u>	<u>\$ -</u>	<u>\$ 5,348,858</u>
Total				

See accompanying Notes to Financial Statements.

**EAST BAY INNOVATION ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

East Bay Innovation Academy (the Academy) is a California nonprofit public benefit corporation and is organized to manage and operate a public charter schools located in Alameda County. The Academy is economically dependent on state and federal funding.

The charter may be revoked by the Oakland Unified School District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Cash and Cash Equivalents

The Academy 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.

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.

Basis of Accounting

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

Functional Allocation of Expenses

Costs of providing the Academy'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.

Basis of Presentation

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

**EAST BAY INNOVATION ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

The Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the Academy are defined as:

Unrestricted

All resources over which the governing board has discretionary control to use in carrying on the general operations of the Academy.

Temporarily Restricted

These net assets are restricted by donors to be used for specific purposes. The Academy currently does not have any temporarily restricted net assets.

Permanently Restricted

These net assets are permanently restricted by donors and cannot be used by the Academy. The Academy does not currently have any permanently restricted net assets.

Receivables

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2018. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the Academy is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Academy. The entire compensated absences liability is reported on the statement of financial position. Employees of the Academy are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave is accumulated however, not paid out. Certificated unionized staff receive 10 days of sick leave at the beginning of the year per union contracts. Non-certified hourly staff eligible for sick days are accrued at 1 hour per 30 hours worked.

**EAST BAY INNOVATION ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Amounts received from the California Department of Education are recognized as revenue by the Academy 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.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. 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 market 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.

Income Taxes

The Academy 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 Academy files informational returns in the U.S. federal jurisdiction, and the state of California.

Subsequent Events

The Academy has evaluated subsequent events through November 26, 2018, the date these financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Academy maintains an interest bearing cash account with a financial institution. The account at this institution is insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash in this account exceeds the maximum insured amount. The Academy has not experienced any losses regarding this account and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**EAST BAY INNOVATION ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 LONG-TERM DEBT

California Department of Education

The Academy received a revolving loan from the California Department of Education (CDE) in the amount of \$250,000. The loan requires annual principal payments of \$50,000. The loan has a term of five years and carries an interest rate of 0.24%. Annual payments of principal and interest are deducted from the Academy's apportionment.

The loan repayment by year is as follows:

<u>Year Ending June 30.</u>	
2019	\$ 50,000
2020	50,006
Total	<u>\$ 100,006</u>

NOTE 4 EMPLOYEE RETIREMENT

Multi-Employer Defined Benefit Pension Plans

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 multi-employer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multi-employer 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 Academy chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Academy has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The Academy 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, 2017, total plan net assets are \$210 billion, the total actuarial present value of accumulated plan benefits is \$362 billion, contributions from all employers totaled \$4.2 billion, and the plan is 62.6% funded. The Academy did not contribute more than 5% of the total contributions to the plan.

**EAST BAY INNOVATION ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Plan Description (Continued)

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826 and www.calstrs.com.

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 Academy 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, 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

<u>Year Ending June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2016	\$ 113,247	100%
2017	\$ 217,630	100%
2018	\$ 287,012	100%

NOTE 5 MEASURE G1 PARCEL TAX REVENUE

The Teacher Retention and Middle School Improvement Act (Measure G1) was authorized by an election of the registered voters of the County of Alameda. Measure G1 was established to provide a districtwide educator salary increase designed to attract/retain teachers; provide enhanced middle school art, music, languages/other programs in addition to core educational programs; improve academic achievement; provide safe, positive schools, and prepare students for college/careers in Oakland Unified School District (OUSD) schools as well as charter schools in Oakland. The funds for this measure will come from OUSD levying a tax of \$120 per parcel, providing \$12.4 million annually, for 12 years, with exemptions for senior and low income residents.

A summary of revenue and expenses for the year ended June 30, 2018 are as follows:

Revenue:

Parcel Tax Revenue	\$	12,241
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Expenses:

Behavioral Specialist		6,130
UE Coach - SEL Curriculum Coaching		5,891
Total Expenses		12,021

Net Income

	\$	220
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**EAST BAY INNOVATION ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 MEASURE G1 PARCEL TAX REVENUE (CONTINUED)

The Academy spent \$12,021 of parcel tax funding for the year ended June 30, 2018 on allowable uses and programs used to supplement and not supplant its educational curriculum. There is currently \$220 carryover of parcel tax revenue to be spent in the following fiscal year.

NOTE 6 CONTINGENCIES

The Academy 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.

SUPPLEMENTARY INFORMATION

**EAST BAY INNOVATION ACADEMY
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2018**

East Bay Innovation Academy (the Academy) was established in October 2013, and granted its charter through Oakland Unified School District (the District) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress towards student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Charter School number authorized by the State: 1620

The Board of Directors and the Administrator as of the year ended June 30, 2018 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3 year term)</u>
Shelley Benning	Board Chair / Co-Founder	August 2019
Laurie Jacobson Jones	Vice Chair and Treasurer / Co-Founder	August 2019
Kelly Garcia	Secretary	August 2019
Ken Berrick	Board Member	October 2017
Gary Borden	Board Member	December 2017
Anne Campbell Washington	Board Member	February 2021
Saamra Mekuria-Grillo	Board Member	October 2020

ADMINISTRATORS

Devin Krugman	Head of School
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**EAST BAY INNOVATION ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018**

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
Grade 6	54,000	57,285	175	In compliance
Grade 7	54,000	57,285	175	In compliance
Grade 8	54,000	57,285	175	In compliance
Grade 9	64,800	71,447	175	In compliance
Grade 10	64,800	71,447	175	In compliance

**EAST BAY INNOVATION ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades 4-6	117.94	117.94	117.16	117.16
Grades 7-8	231.69	231.69	230.68	230.68
Grades 9-10	117.09	120.05	115.61	119.55
ADA Totals	466.72	469.68	463.45	467.39

**EAST BAY INNOVATION ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

June 30, 2018 Annual Financial Report Fund Balances (Net Assets)	\$ 502,253
Adjustments and Reclassifications:	
Increase (Decrease) of Fund Balance (Net Assets):	
Accounts Receivable - Federal and State	(338)
Prepaid Expenses and Other Assets	(50,115)
Accounts Payable and Accrued Liabilities	100,453
Deferred Revenue	(50,000)
Net Adjustments and Reclassifications	<u>-</u>
June 30, 2018 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 502,253</u>

**EAST BAY INNOVATION ACADEMY
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by the Academy and whether the Academy complied with the provisions of 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 Academy. 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
East Bay Innovation Academy
Oakland, 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 East Bay Innovation Academy (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 26, 2018.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy’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
November 26, 2018

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
 East Bay Innovation Academy
 Oakland, California

We have audited East Bay Innovation Academy's (the Academy) compliance with the types of compliance requirements described in the *2017-2018 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, 2018. The Academy'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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Academy'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 *2017-2018 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 Academy'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 Academy's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the Academy'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:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Not applicable
Before and After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

<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 ¹
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

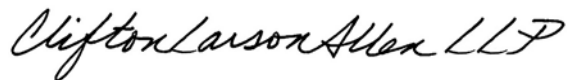
¹ Nonclassroom ADA was under the threshold that requires testing.

Opinion on State Compliance

In our opinion, the Academy complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.

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 *2017-2018 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
November 26, 2018

**EAST BAY INNOVATION ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

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
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*.

**EAST BAY INNOVATION ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

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

Attachment D

Aspire Lionel Wilson College Preparatory Academy,
Aspire Berkeley Maynard Academy,
Aspire Golden State College Preparatory Academy,
Aspire ERES Academy

ASPIRE PUBLIC SCHOOLS

**OAKLAND UNIFIED SCHOOL
DISTRICT DISTRICTWIDE
TEACHER RETENTION AND
MIDDLE SCHOOL
IMPROVEMENT ACT -
MEASURE G1 FUNDING**

PERFORMANCE AUDIT

YEAR ENDED JUNE 30, 2018

**ASPIRE PUBLIC SCHOOLS
MEASURE G1 FUNDING
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JUNE 30, 2018**

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Scope of the Audit	2
Background Information	2
Procedures Performed	2
Conclusion	3
Findings and Recommendations	3

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Aspire Public Schools
Oakland, California**

We have conducted a performance audit of the Aspire Public Schools' (the Organization) Measure G1 funds for the year ended June 30, 2018.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 2 of this report, which includes determining the compliance with the performance requirements for the Measure G1 funds under the applicable provisions of the administrative regulations for allocation of Measure G1 funds. Management is responsible for the Organization's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the Organization to determine if internal controls were adequate to help ensure the Organization's compliance with the requirements of Measure G1. Accordingly, we do not express any assurance on the internal controls.

The results of our tests indicated that, in all significant respects, except for one instance as noted in the Findings and Recommendations section of this report, the Organization expended Measure G1 funds for the year ended June 30, 2018 only for the specific purposes approved by the voters in accordance with the requirements of Measure G1.

Gilbert Associates, Inc.

**GILBERT ASSOCIATES, INC.
Sacramento, California**

December 26, 2018

ASPIRE PUBLIC SCHOOLS MEASURE G1 FUNDING

PERFORMANCE AUDIT REPORT JUNE 30, 2018

OBJECTIVES

The objectives of our audit were as follows: ensure proceeds and expenses of the Measure G1 parcel tax are fully accounted in the books and records; ensure that the administrative overhead allocation does not exceed 1% cumulatively from inception; ensure that Aspire Public Schools (the Organization) has an education improvement plan with the minimal requirements specified in the ballot; make a positive statement about the issue of supplanting versus supplementing; and ensure expenses are in support of allowable uses as per the ballot language for the salary of school site educators, administrative overhead, and separately with respect to middle school grants for the fiscal year ended June 30, 2018.

SCOPE OF THE AUDIT

The scope of our audit covered the Organization's expenses funded by Measure G1 during the fiscal year ended June 30, 2018. The amount of Measure G1 funding collected and expended in the year ended June 30, 2018 was \$109,879. We tested 100% of the revenues and expenses. The four schools that collected and expended Measure G1 funding were:

- Aspire Lionel Wilson College Preparatory Academy
- Aspire Berkeley Maynard Academy
- Aspire Golden State College Preparatory Academy
- Aspire ERES Academy

BACKGROUND INFORMATION

The Teacher Retention and Middle School Improvement Act Fund (Measure G1) was established to pay for compensation for teachers and educational staff, as well as enriching middle school curriculum that better prepares students for high school and beyond and is to be used for schools and charter schools within the Oakland Unified School District ("OUSD").

PROCEDURES PERFORMED

We obtained the Measure G1 parcel tax funds general ledger detail prepared by the Organization for the fiscal year ended June 30, 2018. Within the year audited, we obtained the actual invoices and other supporting documentation for all expenses to ensure compliance with Measure G1 funding. We performed the following procedures:

- We reviewed the parcel tax expenditure detail reports and agreed the amounts to the general ledger.
- We reviewed the nature of the expenses incurred by the charter school sites and source documents to ensure they were within the specific purposes of the ballot language.
- For all payroll related expenses, we obtained and reviewed the necessary supporting documentation to satisfy ourselves that they were only to provide raises to "school site educators," as the term is used in the ballot text. We tested payroll benefits for reasonableness.

ASPIRE PUBLIC SCHOOLS MEASURE G1 FUNDING

PERFORMANCE AUDIT REPORT JUNE 30, 2018

- We ensured the same percentage increase in salary was applied to all school site educators, if applicable.
- We verified that the parcel tax is funding supplemental activities by performing the following procedures: ascertained if funds were used to provide services which were legally required to be made available by virtue of being a school; and we performed procedures to ascertain whether the parcel tax funded services that were previously provided with another funding source.
- We recalculated the ratio of administrative overhead charges to total proceeds to ensure that no more than 1% of proceeds are being spent on administrative overhead, cumulative and exclusive of county collection costs, if applicable.
- We recalculated the 65/35 percent allocation between raises for school site educators and middle school grants, if applicable.
- We obtained the approved education improvement plans for the charter school and perform the following procedures: ensure the plan contains the minimal elements required by the ballot; and verify if the actual parcel tax expenses are consistent with the approved plan.
- We determined, from the expense testing performed, if there were any a) control deficiencies, b) significant deficiencies or c) material weaknesses in internal control noted.
- We examined supporting documentation to validate the amount of Measure G1 parcel tax revenues received.

CONCLUSION

Based upon the procedures performed, we found that, except for one instance as noted in the Findings and Recommendations section of this report, the Organization followed the administrative regulations for allocation of Measure G1 funds and supplemented existing programs within the Organization.

FINDINGS AND RECOMMENDATIONS

We noted one transaction for \$41 in which the Organization purchased food for staff using Measure G1 funding. Per the administrative regulations for allocation of Measure G1 funds, this is an unallowable expense. We recommend the Organization review allowable costs under the Measure to ensure compliance with the regulations.

Attachment E

Community School for Creative Education

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA



Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

REPORT ON PERFORMANCE

Independent Auditor's Report

Measure G1 Parcel Tax Oversight Committee and
Governing Board Members of Community School for Creative Education
Oakland, California

RE: Community School for Creative Education's Measure G1 Audit Report 2017-18

We are pleased to present the Community School for Creative Education's Measure G1 Performance Audit Report 2017-18. We have completed performance audit procedures specified by the Oakland Unified School District as it relates to the Teacher Retention and Middle School Improvement Act Fund Measure G1 Parcel Tax granted to the Community School for Creative Education (the "Charter") for the fiscal year ended June 30, 2018.

Management's Responsibility

Management of the Charter is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Teacher Retention and Middle School Improvement Act Fund Measure G1 Parcel Tax grant (the "Measure G1 Grant").

Auditor's Responsibility

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Additional Information

General information about the Charter, the Measure G1 Grant and the performance audit procedures performed as well as findings and conclusions resulting from such procedures are further described in the accompanying performance audit results following this Report on Performance introduction.

Wilkinson Hadley King & Co. LLP

Wilkinson Hadley King & Co, LLP
December 27, 2018

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
PERFORMANCE AUDIT RESULTS
MEASURE G1 GRANT
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – GENERAL INFORMATION

Community School for Creative Education

Community School for Creative Education (the “Charter”) is an independent charter school that was formed as a nonprofit public benefit corporation for the purpose of operating California schools. The Charter is located in Oakland, California.

Community School for Creative Education (Charter #1284) is a TK-8 charter school. The Charter was authorized June 22, 2010 for a five year period and renewed February 9, 2016 for an additional five years through June 30, 2021 by the Alameda County Board of Education pursuant to the terms of the Charter School Act of 1992, as amended. The Charter served 254 students in grade TK-8 during the 2017-18 school year. The Organization leases commercial space for the Charter located at 2111 International Blvd in Oakland, California to provide classroom-based instruction to its student population.

Teacher Retention and Middle School Improvement Act Fund Measure G1 Parcel Tax

On an election held on November 8, 2016, the Oakland Unified School District Measure G1 Parcel Tax passed with an over two-thirds majority vote. The measure is to levy a tax of \$120 per parcel, providing \$12.4 million annually, for 12 years, with exemptions for senior and low-income residents.

The Teacher Retention and Middle School Improvement Act Fund (“Measure G1”) was established to provide a salary increase to school-site educators and middle school grants in Oakland Unified School District (the “District”) schools as well as charter schools in Oakland. Measure G1 requires the District to secure an independent financial auditor to prepare a report (“Report”) to be filed with the Board of Education and made publicly available no later than December 31 of each year. In order to meet this deadline, all schools must submit reports/responses to the independent auditor. The final Report must include the following:

- The amount collected and expended in such year;
- The description of all programs funded, and a determination that the monies expended were for the allowable uses stated in this Measure; and
- The determination that the revenues left over after the raise provided to school-site educators generated by this Measure are being used to supplement, and not supplant, unrestricted general fund revenue so appropriated to schools to serve pupils in grades 6 through 8 based on fiscal year 2017-18 funding.

SECTION II – PERFORMANCE AUDIT PROCEDURES

Objectives

- Ensure proceeds and expenditures of the parcel tax are fully accounted in the books and records of the charter school.
- Ensure expenditures are in support of allowable uses as per the ballot language, separately with respect to middle school grants, salary for school site educators, and administrative overhead.
- Ensure that the administrative overhead allocation does not exceed 1% cumulatively from inception.
- Ensure that the charter school has an education improvement plan with the minimal requirements specified in the ballot.
- Make a positive statement about the issue of supplanting versus supplementing.

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
PERFORMANCE AUDIT RESULTS
MEASURE G1 GRANT
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – PERFORMANCE AUDIT PROCEDURES (continued)

Scope

Charter school expenditures funded by measure G1 during fiscal year 2017-18.

Methodology

1. Obtain parcel tax expenditure detail reports prepared by the charter school and agree amounts to the general ledger.
2. Review the nature of the expenditures incurred by the charter school sites, and review source documents as appropriate, to ensure they were within the specific purposes the ballot language.
3. Select a sample of payroll related expenditures and obtain and review the necessary supporting documentation to satisfy ourselves that they were only to provide raises to “school site educators” as the term is used in the ballot text. Test payroll benefits for reasonableness.
4. Ensure the same percentage increase in salary was applied to all school site educators.
5. Verify if the parcel tax is funding supplemental activities by performing the following procedures. Ascertain if funds were used to provide services which were legally required to be made available by virtue of being a school. Also, perform procedures to ascertain whether the parcel tax funded services that were previously provided with another funding source.
6. Recalculate the ratio of administrative overhead charges to total proceeds to ensure that no more than 1% of proceeds are being spent on administrative overhead, cumulative and exclusive of county collection costs.
7. Recalculate the 65/35 percent allocation between raises for school site educators and middle school grants.
8. Obtain the approved education improvement plans for the charter school and perform the following procedures. Ensure the plan contains the minimal elements require by the ballot. Verify if the actual parcel tax expenditures are consistent with the approved plan.
9. Determine, from the expenditure testing performed, if there were any a) control deficiencies, b) significant deficiencies or c) material weaknesses in internal control noted. To the extent there are deficiencies noted, prepare a separate report to the District listing the weakness noted and the recommended corrective action.
10. Examine supporting documentation to validate the amount of Measure G1 Parcel Tax revenues received.

SECTION III – FINDINGS AND CONCLUSIONS

Obtaining an Understanding

In order to properly begin our performance audit, we obtained an understanding by completing the following:

- Researching the Measure G1 ballot language and performance audit requirements previously mentioned
- Obtaining and reviewing a copy of the approved Measure G1 Funding Grant Request/Application specific to Community School for Creative Education
- Obtaining and reviewing a copy of the Measure G1 Request for Reimbursement submitted to Oakland Unified School District as signed by the school representative on July 2, 2018.

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
PERFORMANCE AUDIT RESULTS
MEASURE G1 GRANT
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION III – FINDINGS AND CONCLUSIONS (continued)

- Obtaining all supporting documentation as it pertains to the Measure G1 Request for Reimbursement.
- Obtaining an understanding of internal controls over payroll and human resource of Community School for Creative Education as it pertains to management of salaries and benefits charged to Community School for Creative Education.

Outcome of Performance Procedures

1. Detailed information on funding and expenditures associated with the Measure G1 Grant agreed to general ledger information maintained by Community School for Creative Education.
2. The Measure G1 Request for Reimbursement and detail of expenditures charged to Measure G1 noted all funding expended for one employee (\$6,000) and associated materials (\$648.50). The time charged for the one employee was documented by time sheets showing the time spent charged to the Grant. The personnel file for the specific employee was reviewed and payroll transactions associated with the employee were examined (see Item 3).
3. We tested 100% of the payroll expenditures charged to the Measure G1 Grant. Funding was expended on salaries and benefits for one staff. The individual was hired as Capoeira/Music Teacher at Community School for Creative Education for grades Tk-5 in August 2017 and in February 2018 with the Measure G-1 Grant his hours were extended to serve grades 5-8. The employee is an experienced Capoeira/Music and Marshall Arts teacher. He is the founder of Pitt Marshall Arts Academy Oakland serving children and adults in Capoeira for a near decade. Documentation such as transcripts and letters of recommendation within the personnel file on past experience indicate that the employee held necessary education and work experience in his field. Payroll register reports support the salary amount paid to the employee for the 2017-18 fiscal year.
4. There were no salary increases charged to the Measure G1 Grant.
5. Through review of new hire documentation, the funds appeared to supplement and not supplant educational activities.
6. There were no administrative overhead charges allocated to the Measure G1 Grant. All funds were directly charged for payroll for the employee noted in Item 3 and materials for the program.
7. There was no allocation of Measure G1 Grant funding to raises; therefore, the 65/35 percent allocation is not applicable.
8. The actual expenditures charged to the Measure G1 Grant were compared to the Charter's initial application and funding request information to verify that the funding was consistent with the approved plan. Funding expenditures were in line with the Charter's plan to extend the music teacher time so that all grades, TK-8, will have the opportunity to have one hour of music weekly and to perform at public performances.
9. Based on our testing of payroll controls, there were no instances that would warrant a separate report on internal control weaknesses.
10. Through review of funding awarded (\$6,648.50) and request for reimbursement (\$6,648.50), the Measure G1 Grant funding amount was limited to the lesser of actual costs or awarded funding and confirmed as \$6,648.50.

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
PERFORMANCE AUDIT RESULTS
MEASURE G1 GRANT
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION III – FINDINGS AND CONCLUSIONS (continued)

Conclusion and Recommendations

The following conclusions and recommendations were made as it pertains directly to the program objectives:

- We ensured proceeds and expenditures of the Measure G1 Grant are fully accounted in the books and records of Community School for Creative Education and that all costs charged to the Measure G-1 Grant were properly documented.
- We ensured 2017-18 expenditures are in support of allowable uses as per the ballot language and separately with respect to middle school grants with the exception to any possible limitation as result of comments from bullet one on allocation of personnel costs by school site.
- We ensured that the administrative overhead allocation did not exceed 1% cumulatively from inception. There are no recommendations associated with administrative overhead and these costs were not allocated to the Measure G1 Grant.
- We ensured that the Community School for Creative Education has an education improvement plan with the minimal requirements specified in the ballot. The Measure G1 Charter Pilot Grant Application 2017-18 serviced as the education improvement plan referenced. There are no recommendations associated with the education improvement plan.
- We conclude that all expenditures charged to the Measure G1 Grant were to supplement and not supplant current or required services or programs. There are no recommendations associated with this specific element.

Attachment F

Oakland Unity Middle School

REPORT ON PERFORMANCE

Independent Auditors' Report

Measure G1 Parcel Tax Oversight Committee and
Governing Board Members of Unity Schools
Oakland, California

RE: Oakland Unity Middle School's Measure G1 Audit Report 2017-18

We are pleased to present the Oakland Unity Middle School's Measure G1 Performance Audit Report 2017-18. We have completed performance audit procedures specified by the Oakland Unified School District as it relates to the Teacher Retention and Middle School Improvement Act Fund Measure G1 Parcel Tax granted to the Oakland Unity Middle School (the "Charter") for the fiscal year ended June 30, 2018.

Management's Responsibility

Management of the Charter is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Teacher Retention and Middle School Improvement Act Fund Measure G1 Parcel Tax grant (the "Measure G1 Grant").

Auditor's Responsibility

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Additional Information

General information about the Charter, the Measure G1 Grant and the performance audit procedures performed as well as findings and conclusions resulting from such procedures are further described in the accompanying performance audit results following this Report on Performance introduction.

Christy White Associates

San Diego, California
November 26, 2018

Christy White, CPA

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**OAKLAND UNITY MIDDLE SCHOOL
PERFORMANCE AUDIT RESULTS
MEASURE G1 GRANT
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – GENERAL INFORMATION

Oakland Unity Middle School

Oakland Unity Middle School (the “Charter”) is an independent charter school operated by Unity Schools (the “Organization”). Unity Schools was formed as a nonprofit public benefit corporation on March 3, 2003 for the purpose of operating California public schools. The Organization also operates the Oakland Unity High School. The Organization and both charter schools are located in Oakland, California.

Oakland Unity Middle School was approved by the State Board of Education in January 2015 and is authorized by the Alameda County Office of Education. In September 2014, the Alameda County Office of Education approved a charter petition for a five-year term beginning July 1, 2015 and expiring on June 30, 2020. The Charter served roughly 179 students in grade 4 – 6 during the 2017-18 school year. The Organization leases commercial space for the Charter, located at 7200 Bancroft Avenue, Suite 60 to provide classroom-based instruction to its student population.

Teacher Retention and Middle School Improvement Act Fund Measure G1 Parcel Tax

On an election held on November 8, 2016, the Oakland Unified School District Measure G1 Parcel Tax passed with an over two-thirds majority vote. The measure is to levy a tax of \$120 per parcel, providing \$12.4 million annually, for 12 years, with exemptions for senior and low-income residents.

The Teacher Retention and Middle School Improvement Act Fund (“Measure G1”) was established to provide a salary increase to school-site educators and middle school grants in Oakland Unified School District (the “District”) schools as well as charter schools in Oakland. Measure G1 requires the District to secure an independent financial auditor to prepare a report (“Report”) to be filed with the Board of Education and made publicly available no later than December 31 of each year. In order to meet this deadline, all schools must submit reports/responses to the independent auditor. The final Report must include the following:

- The amount collected and expended in such year;
- The description of all programs funded, and a determination that the monies expended were for the allowable uses stated in this Measure; and
- The determination that the revenues left over after the raise provided to school-site educators generated by this Measure are being used to supplement, and not supplant, unrestricted general fund revenue so appropriated to schools to serve pupils in grades 6 through 8 based on fiscal year 2017-18 funding.

SECTION II – PERFORMANCE AUDIT PROCEDURES

Objectives

- Ensure proceeds and expenditures of the parcel tax are fully accounted in the books and records of the charter school.
- Ensure expenditures are in support of allowable uses as per the ballot language, separately with respect to middle school grants, salary for school site educators, and administrative overhead.
- Ensure that the administrative overhead allocation does not exceed 1% cumulatively from inception.
- Ensure that the charter school has an education improvement plan with the minimal requirements specified in the ballot.
- Make a positive statement about the issue of supplanting versus supplementing.

**OAKLAND UNITY MIDDLE SCHOOL
PERFORMANCE AUDIT RESULTS, continued
MEASURE G1 GRANT
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – PERFORMANCE AUDIT PROCEDURES (continued)

Scope

Charter school expenditures funded by measure G1 during fiscal year 2017-18.

Methodology

1. Obtain parcel tax expenditure detail reports prepared by the charter school and agree amounts to the general ledger.
2. Review the nature of the expenditures incurred by the charter school sites, and review source documents as appropriate, to ensure they were within the specific purposes of the ballot language.
3. Select a sample of payroll related expenditures and obtain and review the necessary supporting documentation to satisfy ourselves that they were only to provide raises to “school site educators,” as the term is used in the ballot text. Test payroll benefits for reasonableness.
4. Ensure the same percentage increase in salary was applied to all school site educators.
5. Verify if the parcel tax is funding supplemental activities by performing the following procedures. Ascertain if funds were used to provide services which were legally required to be made available by virtue of being a school. Also, perform procedures to ascertain whether the parcel tax funded services that were previously provided with another funding source.
6. Recalculate the ratio of administrative overhead charges to total proceeds to ensure that no more than 1% of proceeds are being spent on administrative overhead, cumulative and exclusive of county collection costs.
7. Recalculate the 65/35 percent allocation between raises for school site educators and middle school grants.
8. Obtain the approved education improvement plans for the charter school and perform the following procedures. Ensure the plan contains the minimal elements required by the ballot. Verify if the actual parcel tax expenditures are consistent with the approved plan.
9. Determine, from the expenditure testing performed, if there were any a) control deficiencies, b) significant deficiencies or c) material weaknesses in internal control noted. To the extent there are deficiencies noted, prepare a separate report to the District listing the weakness noted and the recommended corrective action.
10. Examine supporting documentation to validate the amount of Measure G1 Parcel Tax revenues received.

SECTION III – FINDINGS AND CONCLUSIONS

Obtaining an Understanding

In order to properly begin our performance audit, we obtained an understanding by completing the following:

- Researching the Measure G1 ballot language and performance audit requirements previously mentioned
- Obtaining and reviewing a copy of the approved Measure G1 Funding Grant Request/Application specific to Oakland Unity Middle School
- Reviewing meeting minutes and viewing video of the public meeting held by the Oakland Unified School District’s Measure G1 Oversight Committee on August 14, 2017 to include presentation by the Charter and subsequent committee approval of funding.
- Obtaining and reviewing a copy of the Measure G1 Request for Reimbursement submitted to Oakland Unified School District as signed by the school representative on June 27, 2018.
- Obtaining all supporting documentation as it pertains to the Measure G1 Request for Reimbursement
- Obtaining an understanding of internal controls over payroll and human resource of Unity Schools as it pertains to management of salaries and benefits charged to Oakland Unity Middle School.

**OAKLAND UNITY MIDDLE SCHOOL
PERFORMANCE AUDIT RESULTS, continued
MEASURE G1 GRANT
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION III – FINDINGS AND CONCLUSIONS (continued)

Outcome of Performance Procedures

1. Detailed information on funding and expenditures associated with the Measure G1 grant agreed to general ledger information maintained by Unity Schools for Oakland Unity Middle School.
2. The Measure G1 Request for Reimbursement and detail of expenditures charged to Measure G1 noted all funding expended on 0.5 full-time equivalent (FTE) for one employee. The personnel file for the specific employee was reviewed and payroll transactions associated with the employee were examined (see Item 3).
3. We tested 100% of the payroll expenditures charged to the Measure G1 Grant. Funding was expended on salaries and benefits for one newly hired staff. The individual was hired in September 2017 as the full-time “School Social Worker” for Oakland Unity High School and Oakland Unity Middle School. Documentation such as transcripts and letters of recommendation within the personnel file on past experience indicate that the employee held necessary education and work experience in the field of psychology and counseling. Payroll register reports support the salary amount paid to the employee for the 2017-18 fiscal year. Benefit invoices indicate that only benefits attributed to this specific employee were allocated to Measure G1 Grant funding.
4. There were no salary increases charged to the Measure G1 Grant.
5. Through review of new hire documentation, the funds appeared to supplement and not supplant educational activities as the additional services of the newly hired school social worker would not otherwise be available or required had Measure G1 funding not been available to the Charter.
6. There were no administrative overhead charges allocated to the Measure G1 Grant. All funds were directly charged for payroll and benefits for the employee noted in Item 3.
7. There was no allocation of Measure G1 Grant funding to raises; therefore, the 65/35 percent allocation is not applicable.
8. The actual expenditures charged to the Measure G1 Grant were compared to the Charter’s initial application and funding request information to verify that the funding was consistent with the approved plan. Funding expenditures were in line with the Charter’s plan to hire a Mental Health professional to assist in student services.
9. Based on our testing of payroll controls, there were no instances that would warrant a separate report on internal control weaknesses; however, we have included recommendations within the conclusion of our report to assist in improving allocation of personnel costs.
10. Through review of funding awarded (\$33,114.50) and request for reimbursement (\$30,653.66), the Measure G1 Grant funding amount was limited to the lesser of actual costs or awarded funding and confirmed as \$30,653.66.

Conclusion and Recommendations

The following conclusions and recommendation were made as it pertains directly to the program objectives:

- We ensured proceeds and expenditures of the Measure G1 Grant are fully accounted in the books and records of Oakland Unity Middle School. Although the Measure G1 Grant was expended on only one employee, we recommend additional records of specific time and effort or program cost allocation be maintained for any employees whose salaries are funded by two or more funding sources. As mentioned in Item 3 of “outcome of performance procedures” the hiring documents noted the employee as shared among Oakland Unity High School and Oakland Unity Middle School. It was noted that one-half of the employee’s salary for the 2017-18 fiscal year was allocated to the Measure G1 Grant yet there was no time accounting documentation to certify what hours or time and effort during the 2017-18 school year was specific to the Oakland Unity Middle School rather than Oakland Unity High School.

**OAKLAND UNITY MIDDLE SCHOOL
PERFORMANCE AUDIT RESULTS, continued
MEASURE G1 GRANT
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION III – FINDINGS AND CONCLUSIONS (continued)

Conclusion and Recommendations (continued)

- We ensured 2017-18 expenditures are in support of allowable uses as per the ballot language and separately with respect to middle school grants with the exception to any possible limitations as result of comments from bullet one on allocation of personnel costs by school site.
- We ensured that the administrative overhead allocation did not exceed 1% cumulatively from inception. There are no recommendations associated with administrative overhead and these costs were not allocated to the Measure G1 Grant.
- We ensured that the Oakland Unity Middle School has an education improvement plan with the minimal requirements specified in the ballot. The Measure G1 Charter Pilot Grant Application 2017-18 serviced as the education improvement plan referenced. There are no recommendations associated with the education improvement plan.
- We conclude that all expenditures charged to the Measure G1 Grant were to supplement and not supplant current or required services or programs. There are no recommendations associated with this specific element.