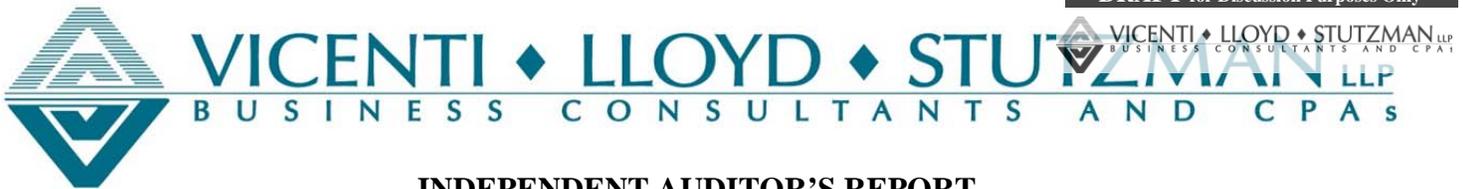


**URBAN MONTESSORI CHARTER SCHOOL**

**Independent Auditor's Report  
and Financial Statements  
For the Year Ended  
June 30, 2014**

**TABLE OF CONTENTS**  
**June 30, 2014**

Independent Auditor's Report.....	1
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Cash Flows .....	5
Statement of Functional Expenses .....	6
Notes to the Financial Statements.....	7
Local Education Agency Organization Structure .....	11
Schedule of Instructional Time.....	12
Schedule of Average Daily Attendance.....	13
Reconciliation of Annual Financial Report with Audited Financial Statements.....	14
Notes to the Supplementary Information.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	16
Independent Auditor's Report on State Compliance .....	18
Schedule of Findings and Questioned Costs.....	21
Status of Prior Year Findings and Questioned Costs.....	22



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Urban Montessori Charter School  
Oakland, CA

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

We have audited the accompanying financial statements of Urban Montessori Charter School (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2014, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

2210 E. Route 66, Suite 100, Glendora, CA 91740

Tel 626.857.7300 | Fax 626.857.7302 | E-Mail [INFO@VLSLLP.COM](mailto:INFO@VLSLLP.COM) | Web [WWW.VLSLLP.COM](http://WWW.VLSLLP.COM)

Board of Directors  
Urban Montessori Charter School

## Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying supplementary schedules on pages 12-14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated **September 15, 2014** 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 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 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.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
**September 15, 2014**

## URBAN MONTESSORI CHARTER SCHOOL



**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2014**

**ASSETS****CURRENT ASSETS:**

Cash and cash equivalents	\$ 215,533
Accounts receivable - federal and state	368,024
Accounts receivable - other	50,654
Prepaid expenses and other assets	<u>8,030</u>
Total current assets	<u>642,241</u>
 Total assets	 <u><u>\$ 642,241</u></u>

**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	\$ 474,135
Notes payable, current portion	<u>49,554</u>
Total current liabilities	<u>523,689</u>

**LONG-TERM LIABILITIES:**

Notes payable	<u>100,000</u>
Total long-term liabilities	<u>100,000</u>

**NET ASSETS:**

Unrestricted	<u>18,552</u>
Total net assets	<u>18,552</u>
 Total liabilities and net assets	 <u><u>\$ 642,241</u></u>

*The accompanying notes are an integral part of these financial statements.*

## URBAN MONTESSORI CHARTER SCHOOL



**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

**REVENUES:**

State revenue:		
State aid	\$	898,063
Other state revenue		270,820
Federal revenue:		
Grants and entitlements		250,451
Local revenue:		
In-lieu property tax revenue		348,672
Contributions		352,607
Other revenue		150,939
Total revenues		<u>2,271,552</u>

**EXPENSES:**

Program services		1,916,902
Management and general		182,453
Total expenses		<u>2,099,355</u>
Change in unrestricted net assets		172,197
Beginning unrestricted net assets		<u>(153,645)</u>
Ending unrestricted net assets	\$	<u><u>18,552</u></u>

*The accompanying notes are an integral part of these financial statements.*

## URBAN MONTESSORI CHARTER SCHOOL



**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2014**

**CASH FLOWS from OPERATING ACTIVITIES:**

Change in net assets	\$ 172,197
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Change in operating assets:	
Accounts receivable - federal and state	98,181
Accounts receivable - other	(50,654)
Prepaid expenses and other assets	(3,015)
Change in operating liabilities:	
Accounts payable and accrued liabilities	134,646
Net cash flows from operating activities	<u>351,355</u>

**CASH FLOWS from FINANCING ACTIVITIES:**

Repayments of debt	<u>(180,446)</u>
Net cash flows from financing activities	<u>(180,446)</u>
Net change in cash and cash equivalents	170,909
Cash and cash equivalents at the beginning of the year	<u>44,624</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 215,533</u></u>

**SUPPLEMENTAL CASH FLOW INFORMATION:**

Cash paid for interest during the fiscal year	<u><u>\$ 703</u></u>
---	----------------------

*The accompanying notes are an integral part of these financial statements.*

## URBAN MONTESSORI CHARTER SCHOOL



**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2014**

	<b>Program Services</b>	<b>Management and General</b>	<b>Total Expenses</b>
Certificated salaries	\$ 631,589	\$ 38,692	\$ 670,281
Classified salaries	367,976	13,747	381,723
Employee benefits	180,935	10,669	191,604
Books and supplies	100,404	6,664	107,068
Services and other operating expenses	635,998	112,681	748,679
	<u>\$ 1,916,902</u>	<u>\$ 182,453</u>	<u>\$ 2,099,355</u>

*The accompanying notes are an integral part of these financial statements.*

## URBAN MONTESSORI CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014****NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities* – Urban Montessori Charter School (the “School”) is a non-profit, California public benefit corporation that provides public school education in Oakland, California. The mission of the School is to develop self-directed and engaged learners who are academically, socially and emotionally prepared to succeed in any high school.

The School served grades K through 3 for the year ended June 30, 2014 and was granted its charter on October 11, 2011, under the sponsorship of the Alameda County Office of Education, pursuant to the terms of the Charter Schools Act (The Act) of 1992, as amended. The Act authorizes the formation of charter schools for the purpose among others, of developing new, innovative, and more flexible ways of educating children within the public schools system. The School is funded principally through State of California public education monies received through the California Department of Education.

*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 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 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 financial statements have been prepared in conformity with accounting principles generally accepted in the United States 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 does not currently have any 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.

## URBAN MONTESSORI CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014****NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Receivables** – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2014. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

**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 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 School is a non-profit 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 statute of limitations for federal and California state purposes is generally three and four years, respectively.

**Evaluation of Subsequent Events** – The School has evaluated subsequent events through **September 15, 2014**, the date these financial statements were available to be issued.

**NOTE 2: CONCENTRATION OF CREDIT RISK**

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

## URBAN MONTESSORI CHARTER SCHOOL



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 3: LONG-TERM DEBT****California Department of Education**

In June 2012, the School entered into an unsecured revolving loan agreement with the California Department of Education for the amount of \$250,000. The loan requires four annual payments including principal and interest. It carries an annual interest rate of 0.35%.

The loan repayment by year is as follows:

Year Ended <u>June 30,</u>	
2015	\$ 49,554
2016	50,000
2017	<u>50,000</u>
Total	<u>\$ 149,554</u>

**NOTE 4: EMPLOYEE RETIREMENT****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, 2013, total plan net assets are \$166.3 billion, the total actuarial present value of accumulated plan benefits is \$277 billion, contributions from all employers totaled \$2.3 billion, and the plan is 66.9% 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, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary and 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. The required employer contribution rate for year ended June 30, 2014 was 8.25% of annual payroll. The contribution

## URBAN MONTESSORI CHARTER SCHOOL



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 4: EMPLOYEE RETIREMENT**

requirements of the plan members are established and may be amended by State statute.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2012	N/A	100%
2013	\$ 48,429	100%
2014	\$ 57,642	100%

**NOTE 5: OPERATING LEASES**

In June 2012 the School entered into a facility use agreement with Oakland Unified School District (OUSD). The agreement expires in June 2015 and requires rent in the amount of \$60,683 plus \$157.47 per OUSD student enrolled in the School as of the second period attendance report.

Future minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30,</u>	
2015	<u>\$ 85,248</u>
Total	<u><u>\$ 85,248</u></u>

**NOTE 6: CONTINGENCIES**

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

**NOTE 7: RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2014, the School had a contract with EdTec for business services. One of the School's board members is the Executive Vice President and Chief Client Services Officer of EdTec. Amounts paid to EdTec under this contract amounted to \$54,836 for the year ended June 30, 2014.

## **SUPPLEMENTARY INFORMATION**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE**  
**For the Year Ended June 30, 2014**

Urban Montessori Charter School, (the School) is a non-profit, California public benefit corporation that manages a California public charter school.

The School began operations in August 2012 and the current charter expires June 30, 2017.

The Charter school number for Urban Montessori Charter School is 1383.

The Board of Directors and the Administrator for the year ended June 30, 2014 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Randy Weiner	Co-chair	June 2014
Tony Emerson	Co-chair	June 2015
Hae-Sin Thomas	Treasurer	June 2015
Peter Laub	Secretary	June 2015
Daishi Harada	Member	TBD
Falilah Bilal	Member	TBD
Kevin Cuff	Member	June 2014
Nancy McAfee Flemming	Member	June 2014

**ADMINISTRATOR**

Jill Stansbury	Head of School
----------------	----------------

## URBAN MONTESSORI CHARTER SCHOOL



**SCHEDULE OF INSTRUCTIONAL TIME**  
**For the Year Ended June 30, 2014**

	<b>Instructional Minutes</b>			<b>Instructional Days</b>	<b>Status</b>
	<b>Requirement</b>	<b>Reduced</b>	<b>Actual</b>		
Kindergarten	36,000	34,971	60,370	178	In compliance
Grade 1	50,400	48,960	56,145	178	In compliance
Grade 2	50,400	48,960	56,145	178	In compliance
Grade 3	50,400	48,960	56,145	178	In compliance

*See auditor's report and the notes to the supplementary information.*

## URBAN MONTESSORI CHARTER SCHOOL



**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2014**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<b>Classroom</b>		<b>Classroom</b>	
	<b>Based</b>	<b>Total</b>	<b>Based</b>	<b>Total</b>
Grades TK/K-3	<u>204.43</u>	<u>205.59</u>	<u>205.98</u>	<u>207.15</u>
ADA Totals	<u><u>204.43</u></u>	<u><u>205.59</u></u>	<u><u>205.98</u></u>	<u><u>207.15</u></u>

*See auditor's report and the notes to the supplementary information.*

## URBAN MONTESSORI CHARTER SCHOOL



**RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

June 30, 2014 Annual Financial Report	
Fund Balances (Net Assets)	\$ 21,109
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Accounts receivable - federal and state	(52,558)
Accounts payable and accrued liabilities	<u>50,001</u>
Net Adjustments and Reclassifications	<u>(2,557)</u>
June 30, 2014 Audited Financial Statement	
Fund Balances (Net Assets)	<u><u>\$ 18,552</u></u>

*See auditor's report and the notes to the supplementary information.*

**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2014**

**NOTE 1: PURPOSE OF SCHEDULES**

**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 Education Code Sections 46200 through 46206.

**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.

**Reconciliation of Annual Financial Report with Audited 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 financial statements.



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

Board of Directors  
Urban Montessori Charter School  
Oakland, CA

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 Urban Montessori Charter School (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2014, 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 **September 15, 2014**.

**Internal Control Over Financial Reporting**

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

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

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

2210 E. Route 66, Suite 100, Glendora, CA 91740

Tel 626.857.7300 | Fax 626.857.7302 | E-Mail [INFO@VLSLLP.COM](mailto:INFO@VLSLLP.COM) | Web [WWW.VLSLLP.COM](http://WWW.VLSLLP.COM)

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

**Compliance and Other Matters**

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

*Vicenti, Lloyd & Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP

Glendora, CA

September 15, 2014



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors  
 Urban Montessori Charter School  
 Oakland, CA

We have audited Urban Montessori Charter School's (the School) compliance with the types of compliance requirements described in the *2013-2014 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2014. 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 *2013-2014 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, 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 in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Not applicable
Teacher Certification and Misassignments	3	Not applicable
Kindergarten continuance	3	Not applicable
Independent study	23	Not applicable
Continuation education	10	Not applicable

2210 E. Route 66, Suite 100, Glendora, CA 91740

Tel 626.857.7300 | Fax 626.857.7302 | E-Mail [INFO@VLSLLP.COM](mailto:INFO@VLSLLP.COM) | Web [WWW.VLSLLP.COM](http://WWW.VLSLLP.COM)

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time for School Districts	10	Not applicable
Instructional materials general requirements	8	Not applicable
Ratios of administrative employees to teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Not applicable
School Accountability Report Card	3	Not applicable
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No <sup>1</sup>
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous records of attendance	8	Yes
Mode of Instruction	1	Yes
Nonclassroom-based instructional/independent study	15	No <sup>2</sup>
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes
Charter School Facility Grant Program	1	Not applicable

<sup>1</sup>We did not perform testing for California Clean Energy Jobs Act because the school had no expenditures of these funds for the year ended June 30, 2014.

<sup>2</sup>We did not perform testing for independent study because the independent study ADA was under the level which requires 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, 2014.

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

### 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 *2013-2014 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP

Glendora, CA

September 15, 2014

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements or state awards for June 30, 2014.

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

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