

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
North Oakland Community Charter School  
Oakland, California

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

We have audited the accompanying financial statements of North Oakland Community Charter School (the School), 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 School 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.

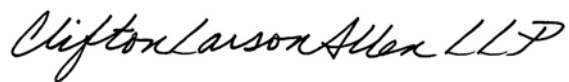
**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School'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 December 12, 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 12, 2018

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	245,048
Accounts Receivable		434,954
Prepaid Expenses and Other Assets		15,764
Total Current Assets		695,766

**LONG-TERM ASSETS**

Property, Plant, and Equipment, Net		48,871
Total Long-Term Assets		48,871

Total Assets	<b>\$</b>	<b>744,637</b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	\$	78,703
Total Current Liabilities		78,703

**LONG-TERM LIABILITIES**

Deferred Rent Liability		176,830
Total Long-Term Liabilities		176,830

**NET ASSETS**

Unrestricted		363,040
Temporarily Restricted		126,064
Total Net Assets		489,104

Total Liabilities and Net Assets	<b>\$</b>	<b>744,637</b>
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See accompanying Notes to Financial Statements.

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
State Revenue:			
State Aid	\$ 1,184,956	\$ -	\$ 1,184,956
Other State Revenue	433,490	37,074	470,564
Federal Revenue:			
Grants and Entitlements	78,676	-	78,676
Local Revenue:			
In-Lieu Property Tax Revenue	496,996	-	496,996
Contributions	319,748	-	319,748
Other Revenue	137,135	-	137,135
Net Assets Released from Restrictions	5,385	(5,385)	-
Total Revenues	2,656,386	31,689	2,688,075
<b>EXPENSES</b>			
Program Services	2,262,356	-	2,262,356
Management and General	484,659	-	484,659
Total Expenses	2,747,015	-	2,747,015
<b>CHANGE IN NET ASSETS</b>	(90,629)	31,689	(58,940)
Net Assets - Beginning of Year	453,669	94,375	548,044
<b>NET ASSETS - END OF YEAR</b>	\$ 363,040	\$ 126,064	\$ 489,104

See accompanying Notes to Financial Statements.

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (58,940)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	24,435
Change in Operating Assets:	
Accounts Receivable	(129,765)
Prepaid Expenses and Other Assets	(8,789)
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(12,984)
Deferred Rent Liability	23,333
Net Cash Used by Operating Activities	(162,710)

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

(162,710)

Cash and Cash Equivalents - Beginning of Year

407,758

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

\$ 245,048

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid for Interest

\$ 64

*See accompanying Notes to Financial Statements.*

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 1,263,162	\$ 66,482	\$ 1,329,644
Pension Expense	109,598	5,768	115,366
Other Employee Benefits	101,977	5,367	107,344
Payroll Taxes	56,970	2,998	59,968
Management Fees	-	22,359	22,359
Legal Expenses	6,449	10,088	16,537
Accounting Expenses	3,559	5,566	9,125
Instructional Materials	65,513	-	65,513
Other Fees for Services	110,338	172,579	282,917
Office Expenses	45,038	70,443	115,481
Information Technology Expenses	7,483	11,704	19,187
Occupancy Expenses	435,813	22,937	458,750
Travel Expenses	1,628	2,547	4,175
Conference and Meeting Expenses	4,438	6,942	11,380
Interest Expense	-	64	64
Depreciation Expense	9,530	14,905	24,435
Insurance Expense	11,416	17,857	29,273
Other Expenses	29,444	46,053	75,497
	<u>\$ 2,262,356</u>	<u>\$ 484,659</u>	<u>\$ 2,747,015</u>
Total	<u>\$ 2,262,356</u>	<u>\$ 484,659</u>	<u>\$ 2,747,015</u>

See accompanying Notes to Financial Statements.



**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

North Oakland Community Charter School (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 July 2000 and is sponsored by the Oakland Unified School District (the District).

The School is funded principally through state of California public education monies received through the California Department of Education.

The charter may be revoked by the 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 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.

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**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 \$126,064 of the Clean Energy Grant revenue in 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.

**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, Plant, and Equipment**

Property, plant, and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

**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.

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
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 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 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 statute of limitations for federal and California state purposes is generally three and four years, respectively.

**Evaluation Subsequent Events**

The School has evaluated subsequent events through December 12, 2018, the date these financial statements were available to be issued.

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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.

**NOTE 3 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense for the year ended June 30, 2018 was \$24,435.

The components of property, plant, and equipment as of June 30, 2018 are as follows:

Leasehold Improvements	\$	73,306
Equipment, Furniture and Fixtures		91,954
Total		165,260
Less: Accumulated Amortization		(116,389)
Total Property, Plant, and Equipment	\$	48,871

**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, 2017, total STRS 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, CA 95826, and [www.calstrs.com](http://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'

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 EMPLOYEE RETIREMENT(CONTINUED)**

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 School’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	\$ 88,417	100%
2017	\$ 109,860	100%
2018	\$ 115,366	100%

**NOTE 5 OPERATING LEASES**

The School leases it facilities under several lease agreements where the last lease expires in June of 2024. Lease expense under these agreements for the year ended June 30, 2018 was \$364,668. The school subleases a portion of the facilities to Glitter and Razz and the Integrated Specialist Program of ACOE for an average of approximately \$1,500 per month.

Future minimum lease payments are as follows:

Operating Leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 375,600
2020	386,868
2021	398,484
2022	410,436
2023	422,748
Thereafter	435,432
Total	<u>\$ 2,429,568</u>

**NOTE 6 RELATED PARTY TRANSACTION**

The School has a related party nonprofit organization named Progressive Equity Charter, Inc. (PEC). PEC is contracted by the School for financial services and support as needed to the School. Contribution received from PEC is \$210,000 as of June 30, 2018.

**NOTE 7 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.

## **SUPPLEMENTARY INFORMATION**

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2018**

North Oakland Community Charter School (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 July 2000 and is funded principally through State of California public education monies received through the California Department of Education. The School is sponsored by the Oakland Unified School District (the District).

Charter School number authorized by the State: 302

The Board of Directors and the Administrators 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>
Devon King-Neece	Treasurer	August 2016 – August 2019
Luis Rodriguez	Member	August 2015 – August 2018
Brandie Albright	Member	August 2017 – August 2020
Dewayne Walton	Member	August 2017 – August 2020
Jeanna Penn	Member	August 2017 – August 2020
Amy Righter	Parent-elected	August 2017 – August 2020
Chien Wang	Parent-elected	August 2017 – August 2020
Imad Abuelgasim	Parent-elected	August 2017 – August 2020
Leslie Bell	Parent-elected	August 2015 – August 2018
Jessica Shimamoto	Staff Representative	Ongoing

**ADMINISTRATORS**

Dr. Lehi Dickey	Interim Co-Head of School
Annette de la Llana	Interim Co-Head of School

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2018**

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
Kindergarten	36,000	47,520	176	In compliance
Grade 1	50,400	53,580	176	In compliance
Grade 2	50,400	54,030	176	In compliance
Grade 3	50,400	54,030	176	In compliance
Grade 4	54,000	55,340	176	In compliance
Grade 5	54,000	55,340	176	In compliance
Grade 6	54,000	57,755	176	In compliance
Grade 7	54,000	57,755	176	In compliance
Grade 8	54,000	57,755	176	In compliance

*See accompanying Auditors' Report and the Notes to Supplementary Information*



**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2018**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades K-3	86.73	86.73	84.93	84.93
Grades 4-6	78.22	78.22	75.32	75.32
Grades 7-8	50.47	50.47	50.34	50.34
ADA Totals	215.42	215.42	210.59	210.59

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

There were no differences between the Annual Financial Report and the Audited Financial Statements.

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
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 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 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  
North Oakland Community Charter School  
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 North Oakland Community Charter School (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 financial statements, and have issued our report thereon dated December 12, 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 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.

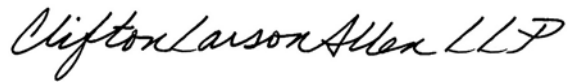
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Glendora, California  
December 12, 2018

**INDEPENDENT AUDITORS’ REPORT ON STATE COMPLIANCE**

Board of Directors  
North Oakland Community Charter School  
Oakland, California

We have audited North Oakland Community Charter School’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.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on the School’s compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *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/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 <sup>1</sup>
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

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

**Opinion on State Compliance**

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

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each state program is not modified with respect to this matter.

**The School’s Response to Findings**

The School’s response to the noncompliance finding is identified in the accompanying schedule of findings and questioned costs. The School’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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 12, 2018

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
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

**FINANCIAL STATEMENT FINDINGS:**

There were no findings and questioned costs related to the basic financial statements for June 30, 2018.

**STATE COMPLIANCE FINDINGS:**

**2018 – 001 Unduplicated Local Control Funding Formula Pupil Counts 40000**

**Criteria:** Education code section 42238.02 (b)(2) requires a charter school to submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CALPADS). The CALPADS 1.17 and 1.18 reports should accurately report the number of students eligible for free and reduced price meals and those identified as “English Learners.”

**Condition:** During testing we found that the School was unable to obtain free and reduced meal applications for all of its students classified as free or reduced.

**Effect:** The School is not in compliance with Education code section 42238.02 (b)(2). The 1.17 and 1.18 Reports contained errors as follows:

Charter School Audit Adjustments to CALPADS Data -North Oakland Community Charter School for June 30, 2018

School Name	CDS Code	Original		Updated		Net Change		LCFF Entitlement		
		Enrollment Count	Unduplicated Pupil Count	Enrollment Count	Unduplicated Pupil Count	Enrollment Count	Unduplicated Pupil Count	Original Entitlement	Revised Entitlement	Adjustment
North Oakland Community Charter School	0161259	226	102	226	98	---	-4	899,051	898,698	(353)



**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

**2018 – 001 Unduplicated Local Control Funding Formula Pupil Counts**

**40000**

**Cause:** The School was unable to obtain all of the free and reduced meal applications due to employee turnover.

**Questioned Costs:** 4 students were included in the CalPADS report as eligible for free or reduced meals for which supporting documentation indicated they were not eligible. The total impact on LCFF Entitlement is a decrease of \$386.

**Recommendation:** We recommend that the School employ additional monitoring processes to collect and review the Free and Reduced Price Meal (FRPM) eligibility data to ensure that reporting errors are minimized and corrections are made on a timely basis.

**Corrective Action Plan Prepared by the School:** Starting from 2018-19, the Director of Operations is involved in reviewing of FRPM applications after all applications collected by staff. She will also be reviewing the applications with the Office Coordinator before data is submitted to CALPADS by EdTec to ensure unduplicated pupil count data matches FRRM applications.

**NORTH OAKLAND COMMUNITY CHARTER SCHOOL  
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 in the prior year.