

**EAST BAY INNOVATION ACADEMY**

**Independent Auditor's Report  
and Financial Statements  
For the Year Ended  
June 30, 2017**

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**EAST BAY INNOVATION ACADEMY**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
East Bay Innovation Academy  
Oakland, CA

### **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, 2017, 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.

Board of Directors  
East Bay Innovation Academy

## **Opinion**

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the Academy as of June 30, 2017, 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 13, 2017 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 of 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, CA  
November 13, 2017

**EAST BAY INNOVATION ACADEMY**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2017**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 399,539
Accounts receivable - federal and state	461,091
Accounts receivable - other	25,990
Prepaid expenses and other assets	45,740
Total current assets	932,360
Total assets	\$ 932,360

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	\$ 317,843
Revolving loan payable, current portion	50,004
Total current liabilities	367,847

**LONG-TERM LIABILITIES:**

Revolving loan payable	100,000
Total long-term liabilities	100,000

**NET ASSETS:**

Unrestricted	464,513
Total net assets	464,513
Total liabilities and net assets	\$ 932,360

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

**EAST BAY INNOVATION ACADEMY**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES:</b>			
State revenue:			
State aid	\$ 2,251,373	\$ -	\$ 2,251,373
Other state revenue	470,639	-	470,639
Federal revenue:			
Grants and entitlements	172,383	-	172,383
Local revenue:			
In-lieu property tax revenue	928,062	-	928,062
Other revenue	879,487	-	879,487
Net assets released from restriction	50,378	(50,378)	-
Total revenues and net assets released from restriction	4,752,322	(50,378)	4,701,944
<b>EXPENSES:</b>			
Program services	4,283,981	-	4,283,981
Management and general	394,086	-	394,086
Total expenses	4,678,067	-	4,678,067
Change in net assets	74,255	(50,378)	23,877
Beginning net assets	390,258	50,378	440,636
Ending net assets	\$ 464,513	\$ -	\$ 464,513

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

**EAST BAY INNOVATION ACADEMY**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2017**

**CASH FLOWS from OPERATING ACTIVITIES:**

Change in net assets	\$ 23,877
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Change in operating assets:	
Accounts receivable - federal and state	89,884
Accounts receivable - other	(25,990)
Prepaid expenses and other assets	(17,860)
Change in operating liabilities:	
Accounts payable and accrued liabilities	188,051
Deferred Revenue	<u>(200,000)</u>
Net cash flows from operating activities	<u>57,962</u>

**CASH FLOWS from FINANCING ACTIVITIES:**

Repayments of debt	<u>(49,998)</u>
Net cash flows from financing activities	<u>(49,998)</u>
Net change in cash and cash equivalents	7,964
Cash and cash equivalents at the beginning of the year	<u>391,575</u>
Cash and cash equivalents at the end of the year	<u>\$ 399,539</u>

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

**EAST BAY INNOVATION ACADEMY**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2017**

	<b>Program</b>	<b>Management</b>		<b>Total</b>
	<b>Services</b>	<b>and General</b>	<b>Fundraising</b>	<b>Expenses</b>
Salaries and wages	\$ 2,349,626	\$ 67,685	\$ -	\$ 2,417,311
Pension expense	211,536	6,094	-	217,630
Other employee benefits	190,571	5,490	-	196,061
Payroll taxes	90,170	2,597	-	92,767
Legal expenses	-	80,453	-	80,453
Accounting expenses	-	8,240	-	8,240
Instructional materials	237,315	-	-	237,315
Other fees for services	611,310	156,073	-	767,383
Advertising and promotion expenses	2,963	-	-	2,963
Office expenses	-	67,011	-	67,011
Printing and postage expenses	1,574	-	-	1,574
Information technology expenses	60,619	-	-	60,619
Occupancy expenses	342,608	-	-	342,608
Travel expenses	889	-	-	889
Interest expense	-	443	-	443
Insurance expense	35,009	-	-	35,009
Other expenses	149,791	-	-	149,791
	<u>\$ 4,283,981</u>	<u>\$ 394,086</u>	<u>\$ -</u>	<u>\$ 4,678,067</u>

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



# EAST BAY INNOVATION ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities** – The Academy is a not-for-profit benefit corporation under the laws of the State of California for the purpose of managing and operating 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.

**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 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 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, 2017. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

## EAST BAY INNOVATION ACADEMY

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2017

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 current portion of the liability, if material, is recognized at year-end. 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 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.

**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 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 Academy 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 Academy has evaluated subsequent events through November 13, 2017, the date these financial statements were available to be issued.

**EAST BAY INNOVATION ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 2: CONCENTRATION OF CREDIT RISK**

The Academy maintains cash balances held in banks which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 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 5 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:

Year Ended <u>June 30,</u>	
2018	\$ 50,004
2019	50,000
2020	<u>50,000</u>
Total	<u>\$ 150,004</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 multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the 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.

**EAST BAY INNOVATION ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 4: EMPLOYEE RETIREMENT**

**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, 2016, total plan net assets are \$189 billion, the total actuarial present value of accumulated plan benefits is \$333 billion, contributions from all employers totaled \$3.4 billion, and the plan is 63.7% funded. The Academy 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 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, 2017 was 12.58% 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 Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2015	\$ 65,059	100%
2016	\$ 113,247	100%
2017	\$ 217,630	100%

**EAST BAY INNOVATION ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 5: 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.

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**SUPPLEMENTARY INFORMATION**

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**EAST BAY INNOVATION ACADEMY**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
For the Year Ended June 30, 2017**

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 toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

The charter school number is: 1620

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**EAST BAY INNOVATION ACADEMY**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (continued)  
For the Year Ended June 30, 2017**

The Board of Directors and the Administrator as of the year ended June 30, 2017 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>3-Year Term Expires</u></b>
Rochelle Benning	Board Chair	August 2019
Laurie Jacobson Jones	Board Member	August 2019
Kelly Garcia	Board Vice Chair	February 2019
Ken Berrick	Board Member	October 2017
Gary Borden	Board Member	December 2017
Tom Pryor	Board Member	May 2017
Kate Doyle	Board Member	June 2019
Julia Gitis	Board Member	June 2019

**ADMINISTRATOR**

Devin Krugman                      Head of School



**EAST BAY INNOVATION ACADEMY**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**For the Year Ended June 30, 2017**

	<u>Instructional Minutes</u>		<u>Traditional Calendar Days</u>	<u>Status</u>
	<u>Requirement</u>	<u>Actual</u>		
Grade 6	54,000	63,180	186	In compliance
Grade 7	54,000	63,180	186	In compliance
Grade 8	54,000	63,180	186	In compliance
Grade 9	64,800	72,339	186	In compliance

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

**EAST BAY INNOVATION ACADEMY**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2017**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<b>Classroom</b>		<b>Classroom</b>	
	<u>Based</u>	<u>Total</u>	<u>Based</u>	<u>Total</u>
Grades 4-6	112.73	112.73	112.42	112.42
Grades 7-8	235.32	237.10	234.76	236.73
Grades 9-12	55.37	56.68	55.75	56.95
ADA Totals	<u>403.42</u>	<u>406.51</u>	<u>402.93</u>	<u>406.10</u>

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

**EAST BAY INNOVATION ACADEMY**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

June 30, 2017 Annual Financial Report Fund Balances (Net Assets)	\$ 497,956
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Accounts payable and accrued liabilities	<u>(33,443)</u>
Net Adjustments and Reclassifications	<u>(33,443)</u>
June 30, 2017 Audited Financial Statement Fund Balances (Net Assets)	<u><u>\$ 464,513</u></u>

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

**EAST BAY INNOVATION ACADEMY**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**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 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 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.

**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  
East Bay Innovation Academy  
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 East Bay Innovation Academy (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2017, 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 13, 2017.

**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.

**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 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 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.

**CliftonLarsonAllen LLP**  
Glendora, CA  
November 13, 2017

**INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE**

Board of Directors  
 East Bay Innovation Academy  
 Oakland, CA

We have audited East Bay Innovation Academy’s (the Academy) compliance with the types of compliance requirements described in the *2016-2017 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, 2017. 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 *2016-2017 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
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

<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
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
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>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 Academy complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

### **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 *2016-2017 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, CA  
November 13, 2017



**EAST BAY INNOVATION ACADEMY**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2017**

All audit findings must be identified as one or more of the following twelve 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
62000	Local Control Accountability Plan
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, 2017.

**EAST BAY INNOVATION ACADEMY**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2017**

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

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