

**The Academy of Alameda**

Financial Statements

June 30, 2020

Academy of Alameda Elementary School

#1718

Academy of Alameda Middle School

#1181

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Academy of Alameda  
Alameda, California

### Report on the Financial Statements

We have audited the accompanying financial statements of The Academy of Alameda (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 from 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 above present fairly, in all material respects, the financial position of The Academy of Alameda as of June 30, 2020, and the changes in its net assets and its cash flows for the fiscal 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 financial statements as a whole. The supplementary information as listed in the index to financial statements is presented for purposes of additional analysis and is not a required part of the 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 our report dated December XX, 2020, on our consideration of The Academy of Alameda'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 The Academy of Alameda's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Academy of Alameda's internal control over financial reporting and compliance.

**BAKER TILLY US, LLP**

San Diego, California  
December XX, 2020

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**THE ACADEMY OF ALAMEDA**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**

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**ASSETS**

Current assets:

Cash	\$ 3,317,871
Accounts receivable	1,438,498
Prepaid expenses	54,110
Total current assets	<u>4,810,479</u>

Fixed assets, net

58,576

**TOTAL ASSETS**

\$ 4,869,055

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 202,383
Accrued expenses	163,915
Total current liabilities	<u>366,298</u>

Long-term liabilities:

Notes payable	1,186,915
Total long-term liabilities	<u>1,186,915</u>
Total liabilities	1,553,213

Net assets:

Net assets without restrictions - undesignated	3,101,836
Net assets with donor restrictions	214,006
Total net assets	<u>3,315,842</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 4,869,055

**THE ACADEMY OF ALAMEDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2020

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
<b>REVENUES</b>			
Revenue limit sources:			
State aid	\$ 3,844,691	\$ -	\$ 3,844,691
Education protection account	443,782	-	443,782
In-lieu of property taxes	2,277,822	-	2,277,822
Federal revenues	245,431	-	245,431
State revenues	741,988	-	741,988
Local revenues:			
Donations	12,131	-	12,131
Fundraising	1,558	-	1,558
Other local revenue	496,368	-	496,368
<b>TOTAL REVENUES</b>	<u>8,063,771</u>	<u>-</u>	<u>8,063,771</u>
<b>EXPENSES</b>			
Program services:			
Education	6,956,916	-	6,956,916
Support services:			
Management and general	978,881	-	978,881
<b>TOTAL EXPENSES</b>	<u>7,935,797</u>	<u>-</u>	<u>7,935,797</u>
<b>CHANGE IN NET ASSETS</b>	127,974	-	127,974
<b>NET ASSETS, BEGINNING OF YEAR</b>	2,973,862	214,006	3,187,868
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,101,836</u>	<u>\$ 214,006</u>	<u>\$ 3,315,842</u>

**THE ACADEMY OF ALAMEDA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
	<u>Education</u>	<u>Management and General</u>	
Salaries - Certificated	\$ 3,445,922	\$ 98,269	\$ 3,544,191
Salaries - Classified	1,333,301	46,200	1,379,501
Employee Benefits	1,209,240	180,045	1,389,285
Books and Supplies	343,346	79,779	423,125
Travel and Conferences	26,458	-	26,458
Dues and Memberships	37,213	-	37,213
Operation and Housekeeping Services	-	195,843	195,843
Rental, Leases, Repairs and non-capitalized improvements	49,615	6,645	56,260
Communications	16,813	4,204	21,017
Professional/Consulting Services and Operating Expenditures	495,008	165,376	660,384
Direct Support/Indirect Cost Charges	-	202,520	202,520
Total expenses	<u>\$ 6,956,916</u>	<u>\$ 978,881</u>	<u>\$ 7,935,797</u>

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**THE ACADEMY OF ALAMEDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2020**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 127,974
Adjustments to reconcile change in net assets to net cash used in operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	(314,715)
Prepaid expenses	127,899
Increase (decrease) in operating liabilities:	
Accounts payable	7,120
Accrued expenses	(34,818)
Net cash used in operating activities	<u>(86,540)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from notes payable	<u>1,186,915</u>
Net cash provided by financing activities	<u>1,186,915</u>

**NET INCREASE IN CASH** 1,100,375

**CASH, BEGINNING OF YEAR** 2,217,496

**CASH, END OF YEAR** \$ 3,317,871



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**THE ACADEMY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**1. ORGANIZATION AND MISSION**

The Academy of Alameda (“Organization”) is a non-profit public benefit corporation. The Organization operates two charter schools, Academy of Alameda Elementary School (“AAES”) and Academy of Alameda Middle School (“AAMS”).

Academy of Alameda Elementary School petitioned and was approved by Alameda Unified School District for a period ending June 30, 2019. On November 27, 2018, the charter was renewed through June 30, 2024. AAES commenced operations during the 2015-2016 fiscal year and currently serves approximately 298 students Grades K through 5.

Academy of Alameda Middle School petitioned and was approved through Alameda Unified School District for a charter for a five-year period ending in June 30, 2015. On November 12, 2019, the charter was renewed through June 30, 2025. AAMS commenced operations during the 2010-2011 fiscal year and currently serves approximately 476 students in Grades 6 through 8.

The mission of the Organization is to equitably develop students into critical thinkers and life-long learners who navigate the world with integrity, and who apply their learning to empower themselves and their communities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Financial Statement Presentation***

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Not for Profit entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets without Donor Restrictions:* Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As of June 30, 2020, the Board of Directors has not designated any of these net assets for operating reserves and future program development.

*Net Assets with Donor Restrictions:* Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2020 the Organization had \$214,006 in net assets with donor restrictions (See Note 8).

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**THE ACADEMY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Accounting Method - Basis of Accounting***

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applicable to not-for-profit organizations. The Organization uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Income Taxes***

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). It is, however, subject to income taxes from activities unrelated to its tax-exempt purpose. The Organization uses the same accounting methods for tax and financial reporting.

GAAP provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization’s returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

***Cash and Cash Equivalents***

Cash from time to time is variously composed of cash on hand and in banks. The Organization considers all highly liquid instruments with maturities of three months or less at time of acquisition to be cash equivalents. As of June 30, 2020, the Organization had no cash equivalents.

***Fixed Assets***

Fixed assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives of 5 to 10 years. Repair and maintenance costs, which do not extend the useful lives of the asset, are charged to expense. The cost of assets, sold or retired, and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred.

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**THE ACADEMY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Revenue Sources and Recognition***

The Organization primarily receives funds from the California Department of Education (“CDE”). Revenue limit sources and state revenues received from the CDE are determined based on the Organization’s average daily attendance (“ADA”) of students and recognized in the period the ADA occurs.

In addition, the Organization receives federal, state and local revenues for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. The Organization recognizes federal revenue to the extent that eligible expenditures have been incurred.

Revenue that is restricted is recorded as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restrictions.

***Functional Allocation of Expenses***

The costs of providing the program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services based on employees’ time incurred and management’s estimates of the usage of resources.

***New Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (“Topic 842”). Topic 842 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the present value of payments to be made to lessor, on its statement of financial position for all leases greater than 12 months. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of this guidance by one year, which makes this guidance effective for the Organization for the fiscal years beginning after December 15, 2021. Although the full impact of this new guidance on the Organization’s financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases (See Note 10).

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). The guidance in ASU No. 2014-09 provides that an entity should recognize revenue to depict the transfer of goods or services provided and establishes the following steps to be applied by an entity: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies the performance obligation. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of this guidance by one year, which makes this guidance effective for the Organization for annual reporting periods beginning after December 15, 2019, which for the Organization is its fiscal year beginning July 1, 2020. The Organization has not yet completed its assessment of the potential impact of this guidance on its financial statements.

**THE ACADEMY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**3. CASH**

Cash and cash equivalents at June 30, 2020, consisted of the following:

	<b>Academy of Alameda Elementary School</b>	<b>Academy of Alameda Middle School</b>	<b>Total</b>
Cash in banks	\$ 1,100,272	\$ 746,930	\$ 1,847,202
Cash in Local Agency Investment Fund	-	1,470,669	1,470,669
Total cash	<u>\$ 1,100,272</u>	<u>\$ 2,217,599</u>	<u>\$ 3,317,871</u>

***Cash in Banks***

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2020, the Organization had \$1,688,943 of uninsured funds.

***Cash in Local Agency Investment Fund***

The Organization maintains a portion of its cash in the California State Treasurer’s Local Agency Investment Fund (“LAIF”) as part of the pooled money investment account. Cash may be added or withdrawn from the investment pool without limitation.

The funds in the LAIF are invested in accordance with Government Code Sections 16430 and 16480, the stated investment authority for the pooled money investment account.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2020, consisted of the following:

	<b>Academy of Alameda Elementary School</b>	<b>Academy of Alameda Middle School</b>	<b>Total</b>
Revenue limit sources:			
State aid	\$ 135,832	\$ 520,500	\$ 656,332
In-lieu of property taxes	185,184	206,079	391,263
Federal revenues	48,601	74,339	122,940
State revenues	97,230	(43,360)	53,870
Local revenues:			
Other local revenue	80,088	134,005	214,093
Total accounts receivable	<u>\$ 546,935</u>	<u>\$ 891,563</u>	<u>\$ 1,438,498</u>

**THE ACADEMY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**5. FIXED ASSETS, NET**

Fixed assets, net at June 30, 2020, consisted of the following:

	<b>Academy of Alameda Elementary School</b>	
Construction in progress	\$	58,576
Equipment		16,584
Less: Accumulated Depreciation		(16,584)
Total fixed assets, net	\$	<u>58,576</u>

During the fiscal year ended June 30, 2020, there were no charges to depreciation expense.

**6. ACCRUED EXPENSES**

Accrued expenses at June 30, 2020 consisted of the following:

	<b>Academy of Alameda</b>		<b>Academy of Alameda</b>		
	<b>Elementary School</b>		<b>Middle School</b>		<b>Total</b>
Accrued payroll	\$	55,857	\$	91,108	\$ 146,965
District oversight fee		13,215		1,384	14,599
Credit card liability		2,244		1,189	3,433
Accrued payroll taxes and related		(689)		(393)	(1,082)
Total accrued expenses	\$	<u>70,627</u>	\$	<u>93,288</u>	<u>\$ 163,915</u>

**7. NOTES PAYABLE**

On April 28, 2020, the Organization applied and was approved for a Paycheck Protection Program loan ("PPP loan") under the Coronavirus Aid, Relief, and Economic Security Acts ("CARES Act") in the amount of \$1,186,915. The PPP loan is scheduled to mature on April 28, 2022, has a 1.00% per annum interest rate, and is subject to the terms and conditions applicable to loans administered by the SBA under the CARES Act, as amended by the PPP Flexibility Act. Monthly principal and interest payments, less the amount of any potential forgiveness (as discussed below), is anticipated to commence in April 2021. The Organization did not provide any collateral or guarantees for the PPP loan, nor did the Organization pay any facility charge to obtain the PPP loan.

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act, proceeds may only be used for certain eligible costs. The loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs, rent, mortgage interest and utilities and (ii) full-time employee headcount and salaries are either maintained during the 24-week or 8-week period following disbursement or restored by December 31, 2020. If not so maintained or restored, forgiveness of the loan will be reduced in accordance with the regulations to be issued by the SBA. Any forgiveness of the loan will be subject to approval by the SBA and will require the Company to apply for forgiveness.

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**THE ACADEMY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**7. NOTES PAYABLE** (continued)

While the Organization may apply for forgiveness of the PPP loan in accordance with the requirements and limitations under the CARES Act, as amended by the PPP Flexibility Act, and the SBA regulations and requirements, no assurance can be given that any portion of the PPP loan will be forgiven.

This loan has been classified as non-current as the exact payment terms, if any, will be set after the forgiveness amount is approved by the SBA and remitted to the lender.

**8. NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2020, the Organization's net assets with donor restrictions consisted of:

California Clean Energy Jobs Act	\$ 214,006
Total net assets with donor restrictions	<u>\$ 214,006</u>

**9. EMPLOYEE RETIREMENT SYSTEMS**

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").

***Plan Description and Funding Policy***

**STRS**

*Plan Description*

The Organization contributes to 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 actuarial valuation report as of June 30, 2019, total plan net assets are \$240 billion, the total actuarial present value of accumulated plan benefits is \$392.2 billion, contributions from all employers totaled \$5.5 billion and the plan is 66.0% funded. The Organization 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).

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**THE ACADEMY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**9. EMPLOYEE RETIREMENT SYSTEMS** (continued)

*Funding Policy*

Active plan members are required to contribute 10.20% of their salary and the Organization 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 fiscal year 2019-2020 was 17.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization's contributions to STRS for the fiscal year ending June 30, 2020, were \$613,073 and equal 100% of the required contributions for the year.

**10. OPERATING LEASES**

The Organization leases office equipment under lease arrangements for more than one year. The future minimum lease payments are as follows:

<b>Year ending June 30,</b>	<b>Lease payments</b>
2021	\$ 32,347
2022	32,235
2023	31,000
2024	31,000
Thereafter	93,000
Total future minimum lease payments	<u>\$ 219,582</u>

The Organization receives no sublease rental revenues nor pays any contingent rentals associated with this lease. For the fiscal year ended June 30, 2020, operating lease expense was \$49,615.

**11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

As part of its liquidity management, the Organization has a goal to maintain financial assets on hand to meet 1 year of normal operating expenses. The Organization's goal is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization does not have a line of credit available to assist with liquidity management.

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Cash	\$ 3,317,871
Less: net assets with donor restrictions	(214,006)
Accounts receivable	1,438,498
Total financial assets available within one year	<u>\$ 4,542,363</u>

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**THE ACADEMY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**12. JOINT POWERS AGREEMENT**

The Organization entered into a Joint Powers Agreement (“JPA”) known as the California Charter Schools Joint Powers Authority (“CCS-JPA”), a self-insurance plan for workers’ compensation, property/casualty, and school board liability insurance. The CCS-JPA is governed by a board consisting of a representative from each member organization. The board controls the operation of the CCS-JPA including selection of management and approval of operating budgets, independent of any influence by the member organizations beyond their representation on the board. Each member organization pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the CCS-JPA. The CCS-JPA is a separate entity which is audited by an independent accounting firm. The Organization paid the CCS-JPA \$51,949 for insurance premiums during the fiscal year ended June 30, 2020.

**13. COMMITMENTS AND CONTINGENCIES**

***State Allowances, Awards, and Grants***

The Organization has received state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursement will not be material.

**14. RISKS RELATED TO COVID-19 PANDEMIC**

On March 10, 2020, the World Health Organization declared the coronavirus outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Organization operates.

While it is unknown how long these conditions will last and what the complete financial effects will be to the Organization, the Organization believes it reasonably possible that they are vulnerable to the risk of a near term severe adverse impact, including, but not limited to declining student enrollment resulting in decreased state and federal aid, and decreased donations and contributions.

**15. SUBSEQUENT EVENTS**

The Organization’s management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the statement of financial position date through **December XX, 2020**, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



**SUPPLEMENTARY INFORMATION**

**THE ACADEMY OF ALAMEDA  
ORGANIZATION  
June 30, 2020**

Academy of Alameda Elementary School [#1718] petitioned and was approved by Alameda Unified School District for a period ending June 30, 2024, pursuant to the terms of the Charter School Act of 1992, as amended.

Academy of Alameda Middle School [#1181], a Grade 6 through 8 charter middle school renewed its charter with Alameda Unified School District, ending in June 30, 2025, pursuant to the terms of the Charter School Act of 1992, as amended.

The Board of Directors for the fiscal year ended June 30, 2020 was comprised of the following members:

Name	Office	Term	Term Expiration
David Forbes	President	3 years	June 30, 2020
William Schaff	Vice-President/Treasurer	3 years	June 30, 2021
Carole Robie	Secretary	3 years	June 30, 2023
Ronald Whittaker	Member	3 years	June 30, 2021
Amy Price	Member	3 years	June 30, 2022
Karen Zimmerman	Member	3 years	June 30, 2021
Que Chu	Member	3 years	June 30, 2023
Regina Brown	Member	3 years	June 30, 2022

**Administration**

Name	Position
Matthew Huxley	Executive Director
Stacie Ivery	Director of Finance

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**THE ACADEMY OF ALAMEDA  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Fiscal Year Ended June 30, 2020**

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**Academy of Alameda Elementary School**

	<b>Second Period Report</b>	<b>Annual Report</b>
Grades K - 3	184.96	184.96
Grade 4 - 5	99.49	99.49
Total Attendance	284.45	284.45

The Organization is 100% classroom-based and does not generate any ADA from a full-time Independent Study program.

**Academy of Alameda Middle School**

	<b>Second Period Report</b>	<b>Annual Report</b>
Grade 6	131.17	131.17
Grades 7 - 8	323.46	323.46
Total Attendance	454.63	454.63

The Organization is 100% classroom-based and does not generate any ADA from a full-time Independent Study program.

**THE ACADEMY OF ALAMEDA  
SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2020**

**Academy of Alameda Elementary School**

<b>Grade Level</b>	<b>Minutes Requirements</b>	<b>2019-2020 Actual Minutes</b>	<b>Number of Days Traditional Calendar</b>	<b>Status</b>
Kindergarten	36,000	58,525	180	In compliance
Grade 1	50,400	58,525	180	In compliance
Grade 2	50,400	58,525	180	In compliance
Grade 3	50,400	58,525	180	In compliance
Grade 4	54,000	58,525	180	In compliance
Grade 5	54,000	58,525	180	In compliance

**Academy of Alameda Middle School**

<b>Grade Level</b>	<b>Minutes Requirements</b>	<b>2019-2020 Actual Minutes</b>	<b>Number of Days Traditional Calendar</b>	<b>Status</b>
Grade 6	54,000	61,596	180	In compliance
Grade 7	54,000	61,596	180	In compliance
Grade 8	54,000	61,596	180	In compliance

**THE ACADEMY OF ALAMEDA**  
**RECONCILIATION OF CHARTER SCHOOL UNAUDITED ACTUALS FINANCIAL REPORT**  
**-- ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Academy of Alameda Elementary School</b>	<b>Academy of Alameda Middle School</b>	<b>Total</b>
June 30, 2020, Charter School Unaudited Actuals Financial Report -- Alternative Form, Ending Fund Balance	\$ 1,158,868	\$ 2,187,215	\$ 3,346,083
Adjustments and reclassifications:			
Increasing (decreasing) the net assets:			
Cash understatement / (overstatement)	2,512	(5,849)	(3,337)
Accounts receivable understatement / (overstatement)	398	896	1,294
Prepaid expenses understatement / (overstatement)	1,166	1,781	2,947
Accounts payable and accrued expenses (understatement) / overstatement	(31,357)	208	(31,149)
Rounding adjustments	2	2	4
Net adjustments and reclassifications	(27,279)	(2,962)	(30,241)
June 30, 2020, audited financial statement net assets	\$ 1,131,589	\$ 2,184,253	\$ 3,315,842

**THE ACADEMY OF ALAMEDA**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**

	<b>Academy of Alameda Elementary School</b>	<b>Academy of Alameda Middle School</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,100,272	\$ 2,217,599	\$ 3,317,871
Accounts receivable	546,935	891,563	1,438,498
Prepaid expenses	19,031	35,079	54,110
Total current assets	<u>1,666,238</u>	<u>3,144,241</u>	<u>4,810,479</u>
Fixed assets, net	58,576	-	58,576
<b>TOTAL ASSETS</b>	<u><u>\$ 1,724,814</u></u>	<u><u>\$ 3,144,241</u></u>	<u><u>\$ 4,869,055</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$ 71,570	\$ 130,813	\$ 202,383
Accrued expenses	70,627	93,288	163,915
Total current liabilities	<u>142,197</u>	<u>224,101</u>	<u>366,298</u>
Long-term liabilities:			
Notes payable, net of current portion	451,028	735,887	1,186,915
Total long-term liabilities	<u>451,028</u>	<u>735,887</u>	<u>1,186,915</u>
Total liabilities	593,225	959,988	1,553,213
Net assets:			
Net assets without donor restrictions - undesignated	1,131,589	1,970,247	3,101,836
Net assets with donor restrictions	-	214,006	214,006
Total net assets	<u>1,131,589</u>	<u>2,184,253</u>	<u>3,315,842</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,724,814</u></u>	<u><u>\$ 3,144,241</u></u>	<u><u>\$ 4,869,055</u></u>

**THE ACADEMY OF ALAMEDA**  
**COMBINING STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2020**

	Academy of Alameda Elementary School		Academy of Alameda Middle School		Total
	Net Assets without Donor Restrictions	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Net Assets with Donor Restrictions	
<b>REVENUES</b>					
Revenue limit sources:					
State aid	\$ 1,655,127	\$ 2,189,564	\$ -		\$ 3,844,691
Education protection account	56,890	386,892	-		443,782
In-lieu of property taxes	876,666	1,401,156	-		2,277,822
Federal revenues	84,138	161,293	-		245,431
State revenues	238,489	503,499	-		741,988
Local revenues:					
Donations	5,020	7,111	-		12,131
Fundraising	1,396	162	-		1,558
Other local revenue	261,755	234,613	-		496,368
<b>TOTAL REVENUES</b>	<u>3,179,481</u>	<u>4,884,290</u>	<u>-</u>		<u>8,063,771</u>
<b>EXPENSES</b>					
Program services:					
Education	2,593,076	4,363,840	-		6,956,916
Support services:					
Management and general	390,364	588,517	-		978,881
<b>TOTAL EXPENSES</b>	<u>2,983,440</u>	<u>4,952,357</u>	<u>-</u>		<u>7,935,797</u>
<b>CHANGE IN NET ASSETS</b>	196,041	(68,067)	-		127,974
<b>NET ASSETS, BEGINNING OF YEAR</b>	935,548	2,038,314	214,006		3,187,868
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,131,589</u>	<u>\$ 1,970,247</u>	<u>\$ 214,006</u>		<u>\$ 3,315,842</u>

**THE ACADEMY OF ALAMEDA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Fiscal Year Ended June 30, 2020**

**Academy of Alameda Elementary School**

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Education</u>	<u>Management and General</u>	<u>Total</u>
Salaries - Certificated	\$ 1,178,816	\$ 37,041	\$ 1,215,857
Salaries - Classified	608,421	17,335	625,756
Employee Benefits	430,659	79,382	510,041
Books and Supplies	136,800	28,680	165,480
Travel and Conferences	8,492	-	8,492
Dues and Memberships	14,207	-	14,207
Operation and Housekeeping Services	-	73,280	73,280
Rental, Leases, Repairs and non-capitalized improvements	16,403	2,473	18,876
Communications	6,446	1,612	8,058
Professional/Consulting Services and Operating Expenditures	192,832	67,368	260,200
Direct Support/Indirect Cost Charges	-	83,193	83,193
Total expenses	<u>\$ 2,593,076</u>	<u>\$ 390,364</u>	<u>\$ 2,983,440</u>



**THE ACADEMY OF ALAMEDA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Fiscal Year Ended June 30, 2020**

**Academy of Alameda Middle School**

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Education</u>	<u>Management and General</u>	<u>Total</u>
Salaries - Certificated	\$ 2,267,106	\$ 61,228	\$ 2,328,334
Salaries - Classified	724,880	28,865	753,745
Employee Benefits	778,581	100,663	879,244
Books and Supplies	206,546	51,099	257,645
Travel and Conferences	17,966	-	17,966
Dues and Memberships	23,006	-	23,006
Operation and Housekeeping Services	-	122,563	122,563
Rental, Leases, and Repairs, and non-capitalized improvements	33,212	4,172	37,384
Communications	10,367	2,592	12,959
Professional/Consulting Services and Operating Expenditures	302,176	98,008	400,184
Direct Support/Indirect Cost Charges	-	119,327	119,327
Total expenses	<u>\$ 4,363,840</u>	<u>\$ 588,517</u>	<u>\$ 4,952,357</u>

**THE ACADEMY OF ALAMEDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2020

	<u>Academy of Alameda Elementary School</u>	<u>Academy of Alameda Middle School</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Change in net assets	\$ 196,041	\$ (68,067)	\$ 127,974
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
(Increase) decrease in operating assets:			
Accounts receivable	(208,875)	(105,840)	(314,715)
Prepaid expenses	49,870	78,029	127,899
Increase (decrease) in operating liabilities:			
Accounts payable	70	7,050	7,120
Accrued expenses	1,539	(36,357)	(34,818)
Net cash provided by (used in) operating activities	<u>38,645</u>	<u>(125,185)</u>	<u>(86,540)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from notes payable	<u>451,028</u>	<u>735,887</u>	<u>1,186,915</u>
Net cash provided by financing activities	<u>451,028</u>	<u>735,887.00</u>	<u>1,186,915</u>
<b>NET INCREASE IN CASH</b>	489,673	610,702	1,100,375
<b>CASH, BEGINNING OF YEAR</b>	<u>610,599</u>	<u>1,606,897</u>	<u>2,217,496</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,100,272</u>	<u>\$ 2,217,599</u>	<u>#####</u>

**OTHER INDEPENDENT AUDITOR'S REPORTS**

**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  
The Academy of Alameda  
Alameda, 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 The Academy of Alameda (a nonprofit Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **December XX, 2020.**

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Academy of Alameda’s internal control over financial reporting 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 of Alameda’s internal control. Accordingly, we do not express an opinion on the effectiveness of The Academy of Alameda’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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Academy of Alameda'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BAKER TILLY US, LLP**

San Diego, California  
December XX, 2020

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors  
The Academy of Alameda  
Alameda, California

### Report on Compliance for Each State Program

We have audited The Academy of Alameda's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of The Academy of Alameda's state programs for the fiscal year ended June 30, 2020. The Academy of Alameda's state programs are identified below.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Academy of Alameda's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's Audit Guide, *2019-20 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 types of compliance requirements referred to above that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about The Academy of Alameda's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of The Academy of Alameda's compliance. In connection with the audit referred to above, we selected transactions and records to determine the Organization's compliance with the state laws and regulations applicable to the following items:



<u>Description</u>	<u>Procedures Performed</u>
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based Attendance	Not Applicable
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

The term “Not Applicable” is used above to mean either that the Organization did not offer the program during the current fiscal year, or that the program applies only to a different type of local education agency.

### **Opinion on State Programs**

In our opinion, The Academy of Alameda complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state programs for the fiscal year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the scope of our testing of state compliance and the results of that testing based on the requirements of the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

**BAKER TILLY US, LLP**

San Diego, California  
December XX, 2020

## **FINDINGS AND RECOMMENDATIONS**



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**THE ACADEMY OF ALAMEDA**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2020**

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**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  N/A No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  N/A None Reported

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported under section 200.516 Audit Findings paragraph (a) OMB Uniform Guidance?  Yes  N/A No

Identification of major programs:

CFDA Number(s)                      Name of Federal Program or Cluster

*The Organization did not have over \$750,000 in Federal Expenditures.*

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee?  Yes  N/A No

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**THE ACADEMY OF ALAMEDA**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2020**

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**A. Summary of Auditor's Results (continued)**

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?           Yes      X   No

One or more significant deficiencies identified that  
are not considered to be material weaknesses?           Yes      X   None Reported

Type of auditor's report issued on compliance  
for state programs:          Unmodified      

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None

**D. State Award Findings and Questioned Costs**

None

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**THE ACADEMY OF ALAMEDA**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS**  
**For the Fiscal Year Ended June 30, 2020**

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<b>Findings/Recommendations</b>	<b>Current Status</b>	<b>Explanation If Not Implemented</b>
None	N/A	N/A