

**Oakland School for the Arts**  
Charter School #0340

Financial Statements

June 30, 2022

DRAFT

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Oakland School for the Arts  
Oakland, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Oakland School for the Arts (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***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 the 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, 2022 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

San Diego, California  
December XX, 2022

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**OAKLAND SCHOOL FOR THE ARTS**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2022**

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**ASSETS**

Current assets:		
Cash and cash equivalents	\$	2,230,291
Accounts receivable		2,285,603
Prepaid expenses and other assets		127,953
Unconditional promise to give, current portion		525,000
Total current assets		<u>5,168,847</u>
Fixed assets, net		82,567
Deposits		65,439
Unconditional promise to give, less current portion		2,402,411
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u><u>7,719,264</u></u></b>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$	290,332
Accrued expenses		1,477,570
Deferred Revenue		188,059
Total current liabilities		<u>1,955,961</u>
Note payable		500,000
Total liabilities		<u>2,455,961</u>
Net assets:		
Net assets with donor restrictions		3,065,837
Net assets without donor restrictions - undesignated		2,197,466
Total net assets		<u>5,263,303</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u><u>7,719,264</u></u></b>

**OAKLAND SCHOOL FOR THE ARTS**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2022

	Net Assets without donor restrictions	Net Assets with donor restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Revenue limit sources:			
State aid apportionments	\$ 2,191,881	\$ -	\$ 2,191,881
Education protection account	2,628,299	-	2,628,299
In-lieu of property taxes	2,279,309	-	2,279,309
Federal revenues	198,175		198,175
State revenues	2,018,512	6,824	2,025,336
Local revenues:			
Donations	761,228	24,814	786,042
Fundraising	2,500	-	2,500
Other local revenue	378,045	295,035	673,080
Total revenues before transfers	10,457,949	326,673	10,784,622
Net assets released from restrictions	605,435	(605,435)	-
<b>TOTAL REVENUES AND SUPPORT</b>	<b>11,063,384</b>	<b>(278,762)</b>	<b>10,784,622</b>
<b>EXPENSES</b>			
Program services:			
Education	9,524,839	-	9,524,839
Support services:			
Management and general	2,412,264	-	2,412,264
Other services:			
Fundraising	549,462	-	549,462
<b>TOTAL EXPENSES</b>	<b>12,486,565</b>	<b>-</b>	<b>12,486,565</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,423,181)</b>	<b>(278,762)</b>	<b>(1,701,943)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,620,647</b>	<b>3,344,599</b>	<b>6,965,246</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,197,466</b>	<b>\$ 3,065,837</b>	<b>\$ 5,263,303</b>

**OAKLAND SCHOOL FOR THE ARTS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Fiscal Year Ended June 30, 2022**

	Program Services	Support Services	Other Services	Total
	Education	Management and General	Fundraising	
Certificated salaries	\$ 4,880,482	\$ 741,161	\$ 51,081	\$ 5,672,723
Classified salaries	176,460	739,439	260,905	1,176,805
Employee benefits	1,617,994	216,108	53,053	1,887,156
Books and supplies	139,316	14,697	3,097	157,110
Travel and conferences	3,510	1,028	217	4,754
Dues and memberships	5,418	1,586	334	7,339
Insurance	50,814	14,878	3,135	68,827
Operation and housekeeping services	303,658	88,907	18,734	411,298
Rental, leases, and repairs, and non-capit	1,123,909	296,888	62,557	1,483,354
Professional/consulting services and ope	1,014,941	257,361	54,230	1,326,531
Fundraising expense	-	-	33,646	33,646
Interest expense	326	96	20	442
Communications	31,711	9,285	1,956	42,952
District oversight fee	70,995	-	-	70,995
Depreciation	105,305	30,832	6,497	142,634
Total expenses	<u>\$ 9,524,839</u>	<u>\$ 2,412,264</u>	<u>\$ 549,462</u>	<u>\$ 12,486,565</u>



**OAKLAND SCHOOL FOR THE ARTS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2022

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (1,701,943)
Adjustments to reconcile change in net assets to net cash used in operations:	
Depreciation	142,634
(Increase) decrease in operating assets:	
Accounts receivable	1,018,198
Prepaid expenses and other assets	7,300
Deposits	(42,203)
Unconditional promise to give	528,839
Increase (decrease) in operating liabilities:	
Accounts payable	174,820
Deferred revenue	75,393
Accrued expenses	(1,811,590)
Net cash used in operating activities	(1,608,552)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of tenant improvements	(20,927)
Net cash used in investing activities	(20,927)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from note payable	500,000
Net cash provided by financing activities	500,000

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (1,129,479)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 3,359,770

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 2,230,291

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid for Interest	\$ -
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## OAKLAND SCHOOL FOR THE ARTS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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#### 1. ORGANIZATION AND MISSION

Oakland School for the Arts (the "Organization") is a non-profit public benefit corporation. The Organization petitioned and was approved through Oakland Unified School District for a charter renewal for a five-year period ending June 30, 2025. The Organization's initial charter was approved by the State of California Department of Education on October 11, 2000.

The Organization balances an immersive arts program with a comprehensive academic curriculum, providing students unique opportunities for learning, expression, innovation and personal growth. The Organization's arts and academic programs build discipline and confidence, effectively preparing creative youth to achieve their potential both in and outside of the arts. The Organization's graduates will be prepared to attend four-year universities of their choice.

The Organization commenced operations during the 2002-2003 fiscal year and currently serves approximately 776 students in grade 6 through grade 12.

#### 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.

##### *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. There were \$3,065,837 in net assets with donor restrictions as of June 30, 2022 (see Note 10).

##### ***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.

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**OAKLAND SCHOOL FOR THE ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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

***Use of Estimates***

The preparation of financial statements in conformity with GAAP 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 (“IRC”) 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 is from time to time variously composed of cash on hand and cash 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, 2022, there were \$1,117,554 of cash equivalents.

***Investments***

The Organization presents its investments in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-320, *Not-For-Profit Entities - Investments Debt & Equity Securities*. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. The fair values of these investments are subject to change based on the fluctuations of market values. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

***Fair Value Measurements***

ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”) establishes a framework for measuring fair value. That framework provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

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**OAKLAND SCHOOL FOR THE ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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

***Fair Value Measurements*** (continued)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs that are unobservable inputs for the asset or liability.

***Accounts Receivable***

Accounts receivable are recorded based on the amount expected to be collected from the federal and state government agencies. The amount recorded is based on apportionment schedules issued by the California Department of Education throughout the fiscal year. Management believes that collections of accounts receivable is reasonably assured based on the nature of the receivable coming from government agencies. As such, no allowance for doubtful accounts has been provided.

***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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**OAKLAND SCHOOL FOR THE ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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

***Deferred Revenue***

Deferred revenue represents grant funds received, but not expended. These funds must be expended in accordance with the provisions of the contract to which they apply or refunded if not expended under the terms of the contract. As of June 30, 2022, the Organization had \$188,059 deferred revenue related to the grants as shown below:

A-G Completion Improvement Grant	\$ 39,371
Expanded Learning Opportunities Grant	6,411
Expanded Learning Opportunities Program	45,500
Elementary and Secondary School Emergency Relief	66,018
Governor's Emergency Education Relief	4,121
Kitchen Infrastructure and Training	26,638
Total funds received but not expended	<u>\$ 188,059</u>

***Compensated Absences***

Accumulated unpaid employee vacation benefits are recognized as current liabilities of the Organization. Accumulated sick leave benefits are not recognized as liabilities of the Organization. The Organization's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave may be added to the creditable service period for calculation of retirement benefits when the employee retires.

***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.

***Contributions and Grants***

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.

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**OAKLAND SCHOOL FOR THE ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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

***Revenue Sources and Recognition*** (continued)

Revenue from contributions and grant income is evaluated under Accounting Standards Update (“ASU”) 2018-08 and is accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restrictions ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without 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 managements’ estimates of the usage of resources.

***New Accounting Pronouncements***

In February 2016, the FASB issued 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, *Revenue from Contracts with Customers and Leases*, which deferred the effective date of Topic 842 for the Organization until its fiscal year ending June 30, 2023 and interim periods within its fiscal year ending June 30, 2024. 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 11).

***Reclassifications***

Certain reclassifications have been made to the beginning net assets included in the accompanying Statement of Activities to conform to the 2022 presentation. There were no effects on the beginning net assets at June 30, 2021, the change in net assets for the year ended June 30, 2022, or ending net assets at June 30, 2022 as a result of these reclassifications.

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**OAKLAND SCHOOL FOR THE ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2022 consisted of the following:

Cash in banks	\$ 1,112,737
Cash equivalents	<u>1,117,554</u>
Total cash and cash equivalents	<u>\$ 2,230,291</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC") or \$500,000 by the Securities Investor Protection Corporation ("SIPC") plus \$1,900,000 of additional coverage on the brokerage account through the Lloyd's of London Syndicate. 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, 2022, the Organization had \$919,698 in excess of FDIC and SPIC insured limits.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2022, consisted of the following:

Revenue limit sources:	
Education protection account	\$ 1,127,283
In-lieu of property taxes	335,655
Federal revenues	143,767
State revenues	342,374
Local revenues:	
Measure N	316,555
Miscellaneous	<u>19,969</u>
Total accounts receivable	<u>\$ 2,285,603</u>

**5. FIXED ASSETS**

Fixed assets at June 30, 2022, consisted of the following:

Building and leasehold improvements	\$ 5,957,169
Furniture, fixtures and equipment	2,781,340
Less: accumulated depreciation	<u>(8,655,942)</u>
Total fixed assets, net	<u>\$ 82,567</u>

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**OAKLAND SCHOOL FOR THE ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**6. PREPAID EXPENSES AND OTHER ASSETS**

Prepaid expenses and other assets at June 30, 2022, consisted of the following:

Rent	\$ 13,828
Insurance	72,148
Memberships	32,888
Operations	4,639
Miscellaneous	4,451
Total prepaid expenses and other assets	<u>\$ 127,953</u>

**7. UNCONDITIONAL PROMISE TO GIVE**

On April 15, 2006, as part of an agreement with the Oakland Port Authority, an advertising company agreed to provide the greater of \$367,500 or 31.5% of gross revenue of an advertising billboard per year for Year 1 through Year 5 and the greater of \$367,500 or 35.0% of gross revenue for Year 6 through Year 20. In May 2008, revenue from an additional advertising billboard was unconditionally promised from the same advertising company to provide the greater of \$157,500 or 13.5% of gross revenue for Year 1 through Year 5 and the greater of \$157,500 or 15.0% of gross revenues for Year 6 through Year 20. Per the agreement, revenues generated from the billboard advertising are to be used for rent and other facilities related expenses. There were no revenues recorded under these agreements for the fiscal year ended June 30, 2022.

This amount is reflected in the financial statements as an unconditional promise to give and as net assets with donor restrictions as of June 30, 2022.

Current	
BillBoard 1	\$ 367,500
Billboard 2	157,500
	<u>\$ 525,000</u>
Non Current	
BillBoard 1	1,404,911
Billboard 2	997,500
	<u>\$ 2,402,411</u>
Total unconditional promise to give	<u><u>\$ 2,927,411</u></u>



**OAKLAND SCHOOL FOR THE ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**8. ACCRUED EXPENSES**

Accrued expenses at June 30, 2022, consisted of the following:

Wages and benefits payable	\$ 845,691
Compensated absences	93,301
Due to grantor government	532,263
Miscellaneous	6,315
Total accrued expenses	<u>\$ 1,477,570</u>

**9. NOTE PAYABLE**

On March 18th, 2022, the US Small Business Administration ("SBA") issued a loan in the form of a promissory note to the Organization. The purpose of the loan was to help alleviate economic impact caused by the Covid-19 pandemic. The loan amount of \$500,000 has an annual interest rate of 2.57% and matures 30 years from the date of issuance. Monthly installment payments of principal and interest are \$2,244 and begin 24 months from the date of the promissory note. At June 30, 2022, the outstanding balance on the note was \$500,000.

As of June 30, 2022, future minimum principal payments are summarized as follows:

<b>Year Ending June 30,</b>	
2024	\$ 3,302
2025	13,437
2026	13,812
2027	14,196
2028	14,595
Thereafter	440,658
<b>Total</b>	<u>\$ 500,000</u>

**10. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of unconditional promise to give, and entitlements received but not expended as of June 30, 2022. At June 30, 2022, the Organization had the following net assets with donor restrictions:

Unconditional promise to give	\$ 2,927,411
Other donor restricted net assets	94,081
California Clean Energy Jobs Act - Prop 39 Measure N	11,504
Lottery Proposition 20	6,824
Total net assets with donor restrictions	<u>\$ 3,065,837</u>

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**OAKLAND SCHOOL FOR THE ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**11. OPERATING LEASES**

The Organization leases facilities and office equipment under operating lease agreements expiring at various times through June 2025. Future minimum lease payments consist of the following:

<b>Year Ending June 30,</b>	<b>Lease Payments</b>
2023	\$ 1,088,985
2024	521,265
2025	433,747
Total future lease payments	<u>\$ 2,043,997</u>

The Organization recognizes escalating rent provisions on a straight-line basis over the lease term. There was no material amount of deferred rent as of June 30, 2022. For the fiscal year ended June 30, 2022, operating lease expense was \$1,168,791.

**12. 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, 2021, total plan net assets are \$293 billion, the total actuarial present value of projected plan benefits is \$414.4 billion, contributions from all employers totaled \$5.6 billion and the plan is 73.0% 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).

***Funding Policy***

Active plan members are required to contribute 10.25% or 10.205% 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 2021-2022 was 16.92% 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, 2022, were \$887,399 and equal 100% of the required contributions for the year.

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**OAKLAND SCHOOL FOR THE ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**13. 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 and cash equivalents	\$ 2,230,291
Accounts receivable	2,285,603
Less: Net assets with donor restriction included in cash and accounts receivable	<u>(2,927,411)</u>
Total financial assets available within one year	<u>\$ 1,588,483</u>

**14. 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.

**15. SUBSEQUENT EVENTS**

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through **December XX, 2022**, 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.

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**SUPPLEMENTARY INFORMATION**

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**OAKLAND SCHOOL FOR THE ARTS  
ORGANIZATION  
June 30, 2022**

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Oakland School for the Arts is a grade 6 through grade 12 Charter School and was granted its charter renewal by Oakland Unified School District through 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, 2022, was comprised of the following members:

<b>Name</b>	<b>Office</b>	<b>Term</b>	<b>Term Expiration</b>
Josefina Alvarado Mena	Chair	3 Years	June 30, 2022
Wei-Ling Huber	Secretary	3 Years	June 30, 2022
Jason Reimann	Member	3 Years	June 30, 2022
Dewayne Walton	Vice Chair	3 Years	June 30, 2022
Safia Fasah	Member	3 Years	June 30, 2025
Daz Hearon	Student Representative	1 Year	June 30, 2022

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<b>Name</b>	<b>Position</b>
Michael Oznowicz	Executive Director
Joyce Montgomery	Interim Finance Manager

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**OAKLAND SCHOOL FOR THE ARTS**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**June 30, 2022**

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	<u>Second Period Report</u>	<u>Annual Report</u>
Grade 6	113.89	114.21
Grades 7 - 8	214.76	214.80
Grades 9 -12	<u>406.66</u>	<u>406.48</u>
Total	<u><u>735.31</u></u>	<u><u>735.49</u></u>

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**OAKLAND SCHOOL FOR THE ARTS  
SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year End June 30, 2022**

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<b>Grade Level</b>	<b>Actual 2021-2022 Minutes Requirements</b>	<b>Actual 2021-2022 Minutes</b>	<b>Number of traditional</b>	<b>Status</b>
Grade 6	54,000	61,780	177	In compliance
Grade 7	54,000	61,780	177	In compliance
Grade 8	54,000	61,780	177	In compliance
Grade 9	64,800	67,195	177	In compliance
Grade 10	64,800	67,195	177	In compliance
Grade 11	64,800	67,195	177	In compliance
Grade 12	64,800	67,195	177	In compliance

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**OAKLAND SCHOOL FOR THE ARTS  
RECONCILIATION OF UNAUDITED ACTUALS  
For the Fiscal Year End June 30, 2022**

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June 30, 2022, Charter School Unaudited Actuals Financial Report -- Alternative Form, Ending Fund Balance	<u>\$ 5,200,222</u>
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	63,079
Rounding	<u>2</u>
Net adjustments and reclassifications	<u>63,081</u>
June 30, 2022, audited financial statement net assets	<u><u>\$ 5,263,303</u></u>

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**OTHER INDEPENDENT AUDITORS' REPORT**

**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  
Oakland School for the Arts  
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 Oakland School for the Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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, 2022.**

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Oakland School for the Arts' 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 Oakland School for the Arts' internal control. Accordingly, we do not express an opinion on the effectiveness of Oakland School for the Arts' 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 Oakland School for the Arts' 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, 2022

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Oakland School for the Arts  
Oakland, California

### Report on Compliance for Each State Program

We have audited Oakland School for the Arts' compliance with the types of compliance requirements described in the *2021-22 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 Oakland School for the Arts' state programs for the fiscal year ended June 30, 2022. Oakland School for the Arts' 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Oakland School for the Arts' 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, *2021-22 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 Oakland School for the Arts' 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 Oakland School for the Arts' 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:

<b>Description</b>	<b>Procedures Performed</b>
California Clean Energy Jobs Act	Not Applicable
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Local Control and Accountability Plan	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study-Course Based Attendance	Not Applicable
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes

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, Oakland School for the Arts 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, 2022.

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 *2021-22 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, 2022

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**FINDINGS AND RECOMMENDATIONS**

**OAKLAND SCHOOL FOR THE ARTS**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2022**

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

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
One or more material weaknesses identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

2. Federal Awards

Internal control over major programs:	
One or more material weaknesses identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> N/A No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major programs:	<u>N/A</u>
Any audit findings disclosed that are required to be reported under section 200.516 Audit Findings paragraph (a) of OMB Uniform Guidance?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> N/A No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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*The Organization did not have over \$750,000 in Federal Expenditures.*

Dollar threshold used to distinguish between type A and type B programs:	<u>N/A</u>
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> N/A No
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**OAKLAND SCHOOL FOR THE ARTS**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2022**

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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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**OAKLAND SCHOOL FOR THE ARTS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Fiscal Year Ended June 30, 2022**

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<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Implemented</u>
None	None	None

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