



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

OAKLAND SCHOOL FOR THE ARTS
INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015
CHARTER SCHOOL #0340

OAKLAND SCHOOL FOR THE ARTS

INTRODUCTORY SECTION

JUNE 30, 2015

**OAKLAND SCHOOL FOR THE ARTS
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JUNE 30, 2015**

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OAKLAND SCHOOL FOR THE ARTS

FINANCIAL SECTION

JUNE 30, 2015



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Oakland School for the Arts
Oakland, California

We have audited the accompanying financial statements of Oakland School for the Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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.

INDEPENDENT AUDITORS' REPORT
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oakland School for the Arts' as of June 30, 2015, 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

Other 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 table of contents 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 5, 2015, on our consideration of Oakland School for the Arts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Oakland School for the Arts' internal control over financial reporting and compliance.

Hosaka, Rotherham & Company

San Diego, California
December 5, 2015

**OAKLAND SCHOOL FOR THE ARTS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

ASSETS

Current assets:	
Cash and cash equivalents (Note 3)	\$ 3,021,294
Investments (Note 4)	832,440
Accounts receivable (Note 5)	1,045,943
Prepaid expenses	939,732
Total current assets	<u>5,839,409</u>
Fixed assets, net of depreciation (Note 6)	693,039
Noncurrent assets:	
Deposits	15,800
Prepaid rent (Note 7)	1,309,271
Bond premium	17,188
Unconditional promise to give (Note 8)	6,606,250
Total noncurrent assets	<u>7,948,509</u>
TOTAL ASSETS	<u><u>\$ 14,480,957</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 216,713
Accrued expenses	93,974
Deferred revenue	11,500
Deferred rent	43,731
Total current liabilities	<u>365,918</u>
Long-term liabilities: (Note 10)	
Long-term debt, net of current portion	<u>1,000,000</u>
Total long-term liabilities	<u>1,000,000</u>
Total liabilities	1,365,918
Net assets:	
Temporarily restricted (Note 11)	7,680,227
Unrestricted	5,434,812
Total net assets	<u>13,115,039</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,480,957</u></u>

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

**OAKLAND SCHOOL FOR THE ARTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Revenue limit sources:			
State aid apportionments	\$ 2,598,783	\$ -	\$ 2,598,783
Education protection account	1,088,792	-	1,088,792
In-lieu of property taxes	1,249,070	-	1,249,070
Federal revenues	119,490	-	119,490
State revenues	1,314,181	-	1,314,181
Local revenues:			
Donations	298,669	-	298,669
Fundraising	1,013,530	-	1,013,530
Interest and dividends	2,688	29,159	31,847
Contributions	277,501	-	277,501
Other	566,444	-	566,444
Net unrealized investment loss	(114)	(9)	(123)
Total revenue and support before transfers	8,529,034	29,150	8,558,184
Net assets released from restrictions	587,151	(587,151)	-
TOTAL REVENUES AND SUPPORT	9,116,185	(558,001)	8,558,184
EXPENSES			
Program services:			
Education	8,188,048	-	8,188,048
Support services:			
Management and general	1,401,320	-	1,401,320
Other services:			
Fundraising	268,933	-	268,933
TOTAL EXPENSES	9,858,301	-	9,858,301
CHANGE IN NET ASSETS	(742,116)	(558,001)	(1,300,117)
NET ASSETS, BEGINNING OF YEAR	6,176,928	8,238,228	14,415,156
NET ASSETS, END OF YEAR	\$ 5,434,812	\$ 7,680,227	\$ 13,115,039

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

**OAKLAND SCHOOL FOR THE ARTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Program Services	Support Services	Other Services	Total
	Education	Management and General	Fundraising	
Certificated salaries	\$ 2,138,539	\$ 75,000	\$ 37,500	\$ 2,251,039
Classified salaries	1,786,914	813,325	105,000	2,705,239
Employee benefits	821,936	177,325	31,069	1,030,330
Books and supplies	693,475	37,159	6,510	737,144
Travel and conferences	44,908	9,130	1,600	55,638
Dues and memberships	6,483	1,318	231	8,032
Insurance	40,678	8,270	1,449	50,397
Operation and housekeeping services	204,239	41,523	7,275	253,037
Rental, leases, repairs, and non-capitalized improvements	1,241,591	78,663	13,782	1,334,036
Direct Costs	37,155	7,554	1,324	46,033
Professional/consulting services and operating expenditures	613,725	36,070	43,420	693,215
Communications	23,142	4,705	824	28,671
Depreciation and amortization	535,263	111,278	18,949	665,490
Total expenses	\$ 8,188,048	\$ 1,401,320	\$ 268,933	\$ 9,858,301

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

**OAKLAND SCHOOL FOR THE ARTS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (1,300,117)
Adjustments to reconcile change in net assets to net cash from operations:	
Unrealized loss on investments	123
Depreciation and amortization	665,490
(Increase) decrease in operating assets:	
Accounts receivable	459,127
Prepaid expenses	2,887
Other current assets	50
Deposits	700
Unconditional promise to give	525,000
Prepaid rent	209,999
Increase (decrease) in operating liabilities:	
Accounts payable	60,824
Accrued expenses	(33,419)
Deferred revenue	(3,500)
Deferred rent	1,865
Net cash flows provided by operating activities	<u>589,029</u>

CASH FLOWS FROM FROM INVESTING ACTIVITIES:

Purchase of fixed assets	(30,354)
Sale of investments, net of maturities	1,622,000
Purchase of investments, net of maturities	<u>(1,651,273)</u>
Net cash flows used in investing activities	<u>(59,627)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

529,402

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

2,491,892

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 3,021,294

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

**OAKLAND SCHOOL FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - ORGANIZATION AND MISSION

Oakland School for the Arts (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 in June 2020. The Organization was approved by the State of California Department of Education on October 11, 2000.

The Organization commenced operations during the 2002-2003 fiscal year and currently serves approximately 700 students in grade 6 through grade 12.

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 in the area of their choice.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial statement presentation

The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Not-For-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets: Unrestricted net assets are available to support all activities of the Organization, and are not subject to donor-imposed stipulations. These generally result from revenues generated by providing services, receiving unrestricted contributions, and receiving interest from investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. There were temporarily restricted net assets of \$7,680,227 as of June 30, 2015.

Permanently restricted net assets: Net assets that are subject to donor-imposed stipulations that the restrictions be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes. There were no permanently restricted assets as of June 30, 2015.

B. Accounting method - basis of accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting related to the timing of measurement made, regardless of the measurement focus applied. The Organization uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

**OAKLAND SCHOOL FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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.

D. Income taxes

The Organization is exempt from income taxes under Internal Revenue Code Section (IRC §) 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.

Generally accepted accounting principles (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.

E. Cash and cash equivalents

Cash and cash equivalents are from time to time variously composed of cash on hand and in bank, and liquid investments with original maturities of three months or less.

F. Investments

The Organization presents its investments in accordance with 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 or by the Organization 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.

G. Fair value measurements

Investments are reported at fair value in the Organization's financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

**OAKLAND SCHOOL FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fair value measurements (continued)

Level 3: Unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs to the extent possible.

H. 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.

I. Deferred revenue

Deferred revenue represents federal and state contract funds received, but not expended. These funds must be expended in accordance with the provisions of the contract to which they apply or refund if not expended under the terms of the contract.

J. Revenue sources and recognition

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 primarily receives the funds from California Department of Education (CDE). Amounts received from the CDE are recognized by the Organization based on the average daily attendance (ADA) of students.

The Organization recognizes Federal Revenue to the extent that eligible expenditures have been incurred.

Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

K. 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.

**OAKLAND SCHOOL FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 3 - CASH AND CASH EQUIVALENTS

A. Cash and cash equivalents

Cash and cash equivalents at June 30, 2015, consisted of the following:

Concentration of risk:

Deposits:

Cash in banks	\$ 962,429
Cash with financial institutions	2,058,662

Cash on hand:

Petty cash	203
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Total cash and cash equivalents	<u><u>\$ 3,021,294</u></u>
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B. 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, 2015, the Organization had \$812,054 of uninsured funds.

Certain investment balances at financial institutions are insured up to \$500,000 by The Securities Investor Protection Corporation (SIPC), which includes a \$250,000 limit for cash. As of June 30, 2015, the Organization had \$1,808,662 of uninsured investment funds.

NOTE 4 - INVESTMENTS

Investments at June 30, 2015, are stated at Fair Market Value and consist of the following:

Commercial Paper	\$ 832,440
Total	<u><u>\$ 832,440</u></u>

The investments are classified as Level 1 in the fair value hierarchy because of the Organization's ability to obtain quoted prices and redeem its interest on a daily basis.

**OAKLAND SCHOOL FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - INVESTMENTS (CONTINUED)

Investment activity for the year ended June 30, 2015, consisted of the following:

	Temporarily Restricted
Unrealized loss on investments	\$ (9)
Interest and dividends	29,159
Total investment income (loss)	\$ 29,150

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015, consisted of the following:

Revenue limit sources:	
State aid apportionments	\$ 117,023
Education protection account	402,675
In-lieu of property taxes	82,299
Federal revenues	28,813
State revenues	379,809
Local revenues:	
Donations	21,000
Miscellaneous	14,324
Total accounts receivable	\$ 1,045,943

NOTE 6 - FIXED ASSETS

Fixed assets at June 30, 2015, consisted of the following:

Improvement of sites	\$ 5,014,358
Equipment	2,180,224
Furniture and fixtures	162,412
Less: accumulated depreciation	(6,663,955)
Total fixed assets, net of depreciation	\$ 693,039

As of the fiscal year ended June 30, 2015, \$662,365 was charged to depreciation.

NOTE 7 - PREPAID RENT

Prepaid rent represents funds received from an advertising company to be applied towards the Organization's facility lease (for additional information, see Note 8). The improvements to the facility were completed in December 2008 and the Organization occupied the facility in January 2009. At June 30, 2015, the balance in prepaid facility lease was \$2,164,271, of which the lease payments due in one year totaling \$855,000 is a current asset included in prepaid expense and the remaining balance of \$1,309,271 is a noncurrent asset on the Statement of Financial Position.

**OAKLAND SCHOOL FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 - 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, an additional advertising billboard was unconditionally promised to give 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.

This amount is reflected in the financial statements as an Unconditional Promise to Give and as Temporarily Restricted Net Assets as of June 30, 2015.

Billboard #1	\$	4,348,750
Billboard #2		2,257,500
Total unconditional promise to give		\$ 6,606,250

NOTE 9 - LINE OF CREDIT

On January 21, 2010, the Organization opened a line of credit with RSF Social Investment Fund, Inc. (RSF) to supplement operating cash flow. The line of credit was amended on June 23, 2014. The line of credit has a limit of \$427,000 with an interest rate of the RSF prime rate (4.50% at June 30, 2014) plus 1.00% per annum, and is secured by the Organization's assets. The line of credit expires on June 23, 2016. The Organization does not have an outstanding balance on the line of credit as of June 30, 2015.

NOTE 10 - LONG-TERM LIABILITIES

A. Long-term liabilities activity

Long-term liabilities activity includes debt and other long-term liabilities. Changes in obligations for the fiscal year ended June 30, 2015, are as follows:

	Balance 2014	Additions	Deductions	Balance 2015	Due in One year
Revenue Bonds Payable	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
Total	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -

B. Revenue Bond Payable

On December 9, 2004, the ABAG Finance Authority for Non-profit Corporations issued Revenue Bond, Series 2004, not to exceed \$1,000,000 on behalf of the Organization, for the purpose of financing the renovation of school facilities. These bonds carry a tax credit rate of 5.62% and a maturity date of December 9, 2020. There is no principal payment due on the bonds until maturity, at which time the full principal payment of \$1,000,000 is due. Funds held as investments will be used for repayment of the bond. As of June 30, 2015, the present book value of the investment is \$832,440. The payable bears no interest.

**OAKLAND SCHOOL FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of entitlements received but not expended as of June 30, 2015.

At June 30, 2015, the Organization had the following temporarily restricted net assets:

Unconditional promise to give	\$	6,606,250
Revenue bond investment		832,440
Restricted school activity funds		241,537
Total temporarily restricted net assets		\$ 7,680,227

NOTE 12 - OPERATING LEASES

The Organization leases office equipment and facilities under operating lease agreements expiring at various times through June 2020. Future minimum lease payments consist of the following:

Year Ending June 30,	Lease Payments
2016	\$ 1,038,045
2017	188,162
2018	193,432
2019	198,278
2020	6,654
Total future lease payments	\$ 1,624,571

The Organization will receive approximately \$62,100 in sublease rental revenue through March 2016. For the fiscal year ended June 30, 2015, sublease rental revenue was \$82,800. The Organization will not pay any contingent rentals associated with the lease. For the fiscal year ended June 30, 2015, operating lease expense was \$1,197,964.

NOTE 13 - 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 the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for PERS is not publicly available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

**OAKLAND SCHOOL FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Plan Description (Continued)

According to the most recently available Actuarial Valuation Report for the year ended June 30, 2013, the Schools Pool total plan assets are \$179.7 billion, the total actuarial present value of accumulated plan benefits is \$288.0 billion, contributions from all employers totaled \$2.2 billion, and the plan is 68.5% 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.

Funding Policy

Active plan members are required to contribute 8.15% 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 2014-2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization's contributions to STRS for the fiscal years ending June 30, 2015, 2014, and 2013, were \$190,528, \$159,216, and \$156,254, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 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.

NOTE 15 - SUBSEQUENT EVENT

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 5, 2015, 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.

OAKLAND SCHOOL FOR THE ARTS
SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2015

**OAKLAND SCHOOL FOR THE ARTS
ORGANIZATION
JUNE 30, 2015**

Oakland School for the Arts [#0340] is a grade 6 through grade 12 Charter School and was granted its charter renewal by Oakland Unified School District in April 2010, pursuant to the terms of the Charter School Act of 1992, as amended.

The Board of Directors for the fiscal year ended June 30, 2015, was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term</u>	<u>Term Expiration</u>
Rebecca Eisen	President	3 Years	June 30, 2015
Bruce Lawrence, M. D.	Vice President	3 Years	June 30, 2015
Randi Protopappas	Treasurer	3 Years	June 30, 2015
Ted Kildegaard	Secretary	3 Years	June 30, 2017
Lucella Harrison	Member	3 Years	June 30, 2015
Dorty Nowak	Member	3 Years	June 30, 2016
Johnathan Dharmapalan	Member	3 Year	June 30, 2017
Carol Isen	Member	3 Year	June 30, 2017
Mike Barr	Member	3 Years	June 30, 2017
April Hines	Member	3 Years	June 30, 2017
Stephen Goldstein	Member	3 Years	June 30, 2016

<u>Administration</u>	
<u>Name</u>	<u>Position</u>
Donn K. Harris	Executive & Artistic Director
Antonette G. West	Director of Finance

**OAKLAND SCHOOL FOR THE ARTS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary		
Grades 4 - 6	106.59	106.19
Grades 7 - 8	202.63	202.59
Total Elementary	<u>309.22</u>	<u>308.78</u>
High School		
Grades 9 -12	394.32	393.85
Total High School	<u>394.32</u>	<u>393.85</u>
Total Elementary and High School	<u><u>703.54</u></u>	<u><u>702.63</u></u>

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

**OAKLAND SCHOOL FOR THE ARTS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Grade Level	1986-87 Minutes Requirements*	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Status
Grade 6	52,457	72,925	175	In Compliance
Grade 7	52,457	72,925	175	In Compliance
Grade 8	52,457	72,925	175	In Compliance
Grade 9	62,949	71,900	175	In Compliance
Grade 10	62,949	71,900	175	In Compliance
Grade 11	62,949	71,900	175	In Compliance
Grade 12	62,949	71,900	175	In Compliance

* As reduced pursuant to the provisions of Education Code Section 46201.2.

**OAKLAND SCHOOL FOR THE ARTS
RECONCILIATION OF CHARTER SCHOOL UNAUDITED ACTUALS FINANCIAL
REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Charter School</u>
June 30, 2015, Charter School Unaudited Actuals Financial Report -- Alternative Form, Ending Fund Balance	<u>\$ 14,531,248</u>
Adjustments and reclassification:	
Increasing (decreasing) the fund balance to net assets:	
Cash in Banks understatement	1,203
Investments understatement	58,147
Accounts receivable overstatement	61,441
Prepaid expenditures overstatement	(420,562)
Capital assets overstatement	(9,020,771)
Other noncurrent assets understatements	7,924,428
Accounts payable understatement	(131,313)
Deferred revenue understatement	(500)
Current loans overstatement	118,581
Deferred rent understatement	(43,731)
Long-term liabilities overstatement	<u>36,868</u>
Net adjustments and reclassifications	<u>(1,416,209)</u>
June 30, 2015, audited financial statements, net assets	<u><u>\$ 13,115,039</u></u>

OAKLAND SCHOOL FOR THE ARTS
OTHER INDEPENDENT AUDITORS' REPORT SECTION
JUNE 30, 2015



**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, 2015, 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 5, 2015.

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.

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
Page 2

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.

Hosaka, Rotherham & Company

San Diego, California
December 5, 2015



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

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 *2014-15 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, 2015. 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.

Auditor's 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, *2014-15 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:

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE
Page 2

Description	Procedures Performed
California Clean Energy Jobs Act	Not Applicable
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance	Yes
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, 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, 2015.

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Hosaka, Rotherham & Company

San Diego, California
 December 5, 2015

OAKLAND SCHOOL FOR THE ARTS
FINDINGS AND RECOMMENDATIONS SECTION

JUNE 30, 2015

**OAKLAND SCHOOL FOR THE ARTS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X 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 in accordance with section .510(a) or Circular A-133? Yes 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 \$500,000 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

**OAKLAND SCHOOL FOR THE ARTS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A. Summary of Auditors' 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 auditors' report issued on compliance
for state programs: Unqualified

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

OAKLAND SCHOOL FOR THE ARTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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