



Certified Public Accountants  
and Financial Advisors

**Community School for  
Creative Education**

Charter School # 1284  
Financial Statements  
June 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Community School for Creative Education  
Oakland, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Community School for Creative Education (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities 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 opinions 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 opinions.



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community School for Creative Education as of June 30, 2017, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the 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 6, 2017, on our consideration of Community School for Creative Education'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 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 Community School for Creative Education's internal control over financial reporting and compliance.

**SQUAR MILNER LLP**

San Diego, California  
December 6, 2017

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2017**

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**ASSETS**

Current assets:

Cash	\$ 204,423
Accounts receivable	294,420
Prepaid expenses	14,724
Deposits	<u>6,827</u>
Total current assets	<u>520,394</u>

Fixed assets, net	<u>142,129</u>
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<b>TOTAL ASSETS</b>	<b><u><u>\$ 662,523</u></u></b>
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**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 46,511
Accrued expenses	<u>27,504</u>
Total liabilities	<u>74,015</u>

Net assets:

Temporarily restricted	44,419
Unrestricted	<u>544,089</u>
Total net assets	<u>588,508</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 662,523</u></u></b>
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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2017**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Revenue limit sources:			
State aid	\$ 1,100,581	\$ -	\$ 1,100,581
Education protection account	250,003	-	250,003
In-lieu of property taxes	450,459	-	450,459
Federal revenues	127,794	-	127,794
State revenues	216,027	103,630	319,657
Local revenues:			
Donations	78,079	-	78,079
Fundraising	18,582	-	18,582
Miscellaneous	78,073	-	78,073
Total revenues	<u>2,319,598</u>	<u>103,630</u>	<u>2,423,228</u>
Net assets released from restriction	<u>157,103</u>	<u>(157,103)</u>	<u>-</u>
Total revenues and other support	<u>2,476,701</u>	<u>(53,473)</u>	<u>2,423,228</u>
<b>EXPENSES</b>			
Program services:			
Education	1,687,140	-	1,687,140
Support services:			
Management and general	524,121	-	524,121
Total expenses	<u>2,211,261</u>	<u>-</u>	<u>2,211,261</u>
<b>CHANGE IN NET ASSETS</b>	265,440	(53,473)	211,967
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>278,649</u>	<u>97,892</u>	<u>376,541</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 544,089</u></u>	<u><u>\$ 44,419</u></u>	<u><u>\$ 588,508</u></u>

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2016**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 211,967
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	4,901
(Increase) decrease in operating assets:	
Accounts receivable	(41,428)
Prepaid expenses	(6,509)
Other current assets	(6,827)
Increase (decrease) in operating liabilities:	
Accounts payable	(28,899)
Accrued expenses	(8,534)
Net cash flows provided by operating activities	<u>124,671</u>

**CASH FLOWS USED IN INVESTING ACTIVITIES:**

Purchase of fixed assets	<u>(147,030)</u>
Net cash flows used in investing activities	<u>(147,030)</u>

**NET DECREASE IN CASH** (22,359)

**CASH, BEGINNING OF YEAR** 226,782

**CASH, END OF YEAR** \$ 204,423

**SUPPLEMENTARY DISCLOSURE:**

Cash paid for interest	<u><u>\$ 150</u></u>
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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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**1. ORGANIZATION AND MISSION**

Community School for Creative Education (the Organization) was incorporated in the State of California on November 14, 2008, under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The Organization petitioned and was approved through the Alameda County Board of Education for a charter on June 22, 2010. The Organization renewed its charter, which expires June 30, 2021.

The mission of the Organization is to partner with families and communities to provide a rigorous college-preparatory program integrated into a culturally rich, arts-infused, highly personalized curriculum inspired by Waldorf education for the diverse students of Oakland, to promote equity and prepare culturally competent, well-rounded, lifelong learners to lead, contribute to, and successfully participate in our rapidly changing multicultural society.

The Organization currently serves approximately 197 students in Kindergarten through Grade 8.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***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 was \$44,419 in temporarily restricted net assets as of June 30, 2017.

*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, 2017.



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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America 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. 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.

***Income Taxes***

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

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.

***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.

***Cash and Cash Equivalents***

Cash are from time to time variously composed of cash on hand and in banks. The Organization considers all highly liquid instruments with maturities of three months or less at time of acquisition to be cash equivalents. As of June 30, 2017, there were no cash equivalents.

***Fixed Assets***

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

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

***Use of Estimates***

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

***Revenue Sources and Recognition***

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

In addition, the Organization receives federal, state and local revenues for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies.

The Organization recognizes federal revenue to the extent that eligible expenditures have been incurred.

Revenue that is restricted is recorded as an increase in 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.

***New Accounting Pronouncements***

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 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 payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update 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 an operating lease (see note 9).

In August 2016, The FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows.

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

*New Accounting Pronouncements* (continued)

ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. However, under this Update, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted and permanently restricted).

**3. CASH**

Cash at June 30, 2017, consisted of the following:

Cash in bank	\$ 204,423
Total cash	<u>\$ 204,423</u>

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, 2017, the Organization had \$31,281 uninsured funds in excess of FDIC limits.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017, consisted of the following:

Revenue limit sources:	
State aid	\$ 115,072
Education protection account	59,138
In-lieu of property taxes	46,252
Federal revenues	25,010
State revenues	48,898
Local revenues:	
Miscellaneous	<u>50</u>
Total accounts receivable	<u>\$ 294,420</u>

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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**5. FIXED ASSETS, NET**

Fixed assets at June 30, 2017, consisted of the following:

Building improvements	\$ 147,030
Less: accumulated depreciation	<u>(4,901)</u>
Total fixed assets, net	<u><u>\$ 142,129</u></u>

During the fiscal year ended June 30, 2017, a total of \$4,901 was charged to depreciation expense.

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of entitlements received but not expended as of June 30, 2017. At June 30, 2017, the Organization's temporarily restricted net assets consisted of:

Proposition 39 - California Clean Energy Jobs Act	<u>\$ 44,419</u>
Total temporarily restricted net assets	<u><u>\$ 44,419</u></u>

**7. 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 Comprehensive Annual Financial Report and Actuarial Valuation

Report for the year ended June 30, 2017, total plan net assets are \$177.9 billion, the total actuarial present value of accumulated plan benefits is \$333.3 billion, contributions from all employers totaled \$3.2 billion and the plan is 63.7% funded. The Organization did not contribute more than 5% of the total contributions to the plan.

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

*Plan Description and Funding Policy* (continued)

**STRS** (continued)

*Plan Description* (continued)

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 9.20% of their salary and the Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016-2017 was 12.58% 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, 2017 was \$89,258 and equal 100% of the required contributions for the year.

**8. 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.

**9. OPERATING LEASES**

The Organization entered into an operating lease agreement with the Oakland Unified School District on April 12, 2017 to lease a facility. The lease term is for 5 years, commencing on July, 1, 2017 and expiring on June 30, 2022. The future minimum lease payments are as follows:

<b>Year Ending</b>	<b>Lease</b>
<b>June 30,</b>	<b>Payments</b>
2018	\$ 83,305
2019	83,305
2020	83,305
2021	83,305
2022	83,305
Total future lease payments	<u>\$ 416,525</u>

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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**9. OPERATING LEASES (continued)**

The Organization receives no sublease rental revenues nor pays any contingent rentals associated with this lease. For the year ended June 30, 2017, operating lease expense was \$66,925.

**10. PARTICIPATION IN JOINT POWERS AUTHORITY**

The Organization entered into a Joint Powers Agreement (JPA) known as the “California Charter Schools Association Joint Powers Authority (CCSA-JPA),” a self insurance plan for workers’ compensation, property/casualty, and school board liability insurance. The CCSA-JPA is governed by a board consisting of a representative from each member organization. The board controls the operation of the CCSA-JPA including selection of management and approval of operating budgets, independent of any influence by the member organizations beyond their representation on the board. Each member organization pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the CCSA-JPA. The CCSA-JPA is a separate entity which is audited by an independent accounting firm. For the year ended June 30, 2017, JPA expense was \$32,074.

**11. SUBSEQUENT EVENTS**

The Organization’s management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 6, 2017, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

## **SUPPLEMENTARY INFORMATION**

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION  
ORGANIZATION  
JUNE 30, 2017**

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Community School for Creative Education [Charter #1284] is a Grade K-8 Charter School and was granted its charter by the Alameda County Board of Education on June 22, 2010, pursuant to the terms of the Charter School Act of 1992, as amended. The Organization is currently operating at 2111 International Boulevard in Oakland, California. The organization renewed its charter and the charter expires June 30, 2021.

The Board of Directors for the fiscal year ended June 30, 2017, was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term</u>	<u>Term Expiration</u>
Shawn Brown	Chairman	5 Years	June 1, 2020
Andrew Peters	Vice Chairman	5 Years	December 1, 2017
Betty Ly	Member	5 Years	December 1, 2020
Anastasia Prentiss	Member	5 Years	December 1, 2020
Linsey Jenkins-Stark	Member	5 Years	December 1, 2020
Chris Daily	Member	5 Years	December 1, 2021
Shane Callahan	Member	5 Years	June 1, 2020

**Administration**

<u>Name</u>	<u>Position</u>
Ida Oberman	Founder and Executive Director
Yolanda Cordova	Office Manager



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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Fiscal Year Ended June 30, 2017**

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	<u>Second Period Report</u>	<u>Annual Period Report</u>
Kindergarten - Grade 3	116.79	116.43
Grades 4 - 6	62.81	63.12
Grades 7 - 8	<u>17.71</u>	<u>17.81</u>
Total	<u><u>197.31</u></u>	<u><u>197.36</u></u>

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

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION  
SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2017**

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<b>Grade Level</b>	<b>2016 -2017 Minutes Requirements</b>	<b>2016 - 2017 Actual Minutes</b>	<b>Number of Days Traditional Calendar</b>	<b>Status</b>
Kindergarten	36,000	48,765	181	In Compliance
Grade 1	50,400	56,100	181	In Compliance
Grade 2	50,400	56,100	181	In Compliance
Grade 3	50,400	56,100	181	In Compliance
Grade 4	54,000	56,100	181	In Compliance
Grade 5	54,000	56,100	181	In Compliance
Grade 6	54,000	56,100	181	In Compliance
Grade 7	54,000	56,100	181	In Compliance
Grade 8	54,000	56,100	181	In Compliance

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Fiscal Year Ended June 30, 2017**

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	<b>Program Services</b>	<b>Support Services</b>	
	<b>Education</b>	<b>Management and General</b>	<b>Total</b>
Certificated salaries	\$ 555,461	\$ 183,554	\$ 739,015
Classified salaries	298,896	126,870	425,766
Employee benefits	177,771	64,592	242,363
Books and supplies	85,305	8,627	93,932
Travel and conferences	28,492	10,352	38,844
Dues and Memberships	1,180	428	1,608
Insurance	13,700	4,978	18,678
Operation and housekeeping services	114,677	41,003	155,680
Rental, leases, repairs, and non-capitalized improvements	62,489	22,705	85,194
Direct support	13,210	4,800	18,010
Interest	-	150	150
Professional/consulting services and operating expenditures	327,605	53,027	380,632
Communications	4,759	1,729	6,488
Depreciation	3,595	1,306	4,901
Total expenses	<u>\$ 1,687,140</u>	<u>\$ 524,121</u>	<u>\$ 2,211,261</u>

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION  
RECONCILIATION OF CHARTER SCHOOL UNAUDITED ACTUALS FINANCIAL  
REPORT - - ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

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There was no difference between the net assets reported on the June 30, 2017, Charter School Unaudited Actuals Financial Report -- Alternative Form and the audited financial statements.

## **OTHER INDEPENDENT AUDITOR'S REPORTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Community School for Creative Education  
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 Community School for Creative Education (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community School for Creative Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community School for Creative Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Community School for Creative Education's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

**SQUAR MILNER LLP**

San Diego, California  
December 6, 2017

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors  
Community School for Creative Education  
Oakland, California

### Report on Compliance for Each State Program

We have audited Community School for Creative Education's compliance with the types of compliance requirements described in the *2016-17 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 Community School for Creative Education's state programs for the fiscal year ended June 30, 2017. Community School for Creative Education's state programs are identified below.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community School for Creative Education's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's Audit Guide, *2016-17 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 Community School for Creative Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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





<b>Description</b>	<b>Procedures Performed</b>
Educator Effectiveness	Not Applicable
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	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, Community School for Creative Education 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, 2017.

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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

**SQUAR MILNER LLP**

San Diego, California  
December 6, 2017

## **FINDINGS AND RECOMMENDATIONS**

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2017**

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

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   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   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  
major programs:       N/A      

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

Identification of major programs:

CFDA Number(s)                      Name of Federal Program or Cluster

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

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

Auditee qualified as low-risk auditee?        Yes   X   No

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

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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2017**

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**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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**COMMUNITY SCHOOL FOR CREATIVE EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2017**

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