

12/15/2018

**GOLDEN OAK MONTESSORI OF HAYWARD
CHARTER SCHOOL**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2018**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
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JUNE 30, 2018

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Golden Oak Montessori of Hayward Charter School
Castro Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Golden Oak Montessori of Hayward Charter School (the "Charter") which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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State Board of Accountancy

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golden Oak Montessori of Hayward Charter School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Golden Oak Montessori of Hayward Charter School taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Charter'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 Charter'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 Charter's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 12, 2018

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current assets

Cash and cash equivalents	\$ 1,047,245
Accounts receivable	359,333
Prepaid expenses	<u>30,329</u>
Total Assets	<u>\$ 1,436,907</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	<u>\$ 213,193</u>
Total liabilities	<u>213,193</u>

Net assets

Unrestricted	1,013,793
Temporarily restricted	<u>209,921</u>
Total net assets	<u>1,223,714</u>
Total Liabilities and Net Assets	<u>\$ 1,436,907</u>

The notes to the financial statements are an integral part of this statement.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 1,228,015	\$ -	\$ 1,228,015
Federal revenues	90,742	-	90,742
Other state revenues	281,485	193,789	475,274
Total federal and state support and revenues	<u>1,600,242</u>	<u>193,789</u>	<u>1,794,031</u>
Local support and revenues			
Payments in lieu of property taxes	654,474	-	654,474
Grants and donations	109,714	-	109,714
Other local revenues	133,081	-	133,081
Total local support and revenues	<u>897,269</u>	<u>-</u>	<u>897,269</u>
Total Support and Revenues	<u>2,497,511</u>	<u>193,789</u>	<u>2,691,300</u>
EXPENSES			
Program services	2,163,299	-	2,163,299
Supporting services			
Management and general	229,955	-	229,955
Fundraising	7,948	-	7,948
Total Expenses	<u>2,401,202</u>	<u>-</u>	<u>2,401,202</u>
CHANGE IN NET ASSETS	96,309	193,789	290,098
Net Assets - Beginning	<u>917,484</u>	<u>16,132</u>	<u>933,616</u>
Net Assets - Ending	<u>\$ 1,013,793</u>	<u>\$ 209,921</u>	<u>\$ 1,223,714</u>

The notes to the financial statements are an integral part of this statement.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 785,526	\$ -	\$ -	\$ 785,526
Classified salaries	432,509	167,767	-	600,276
Deferred compensation	186,660	-	-	186,660
Payroll taxes	75,284	10,369	-	85,653
Other employee benefits	65,807	9,064	-	74,871
Total personnel expenses	<u>1,545,786</u>	<u>187,200</u>	<u>-</u>	<u>1,732,986</u>
Non-personnel expenses				
Books and supplies	121,496	3,692	-	125,188
Insurance	11,535	1,589	-	13,124
Occupancy	135,541	18,669	-	154,210
Professional services	214,698	10,687	7,948	233,333
Payments to authorizing agency	75,302	-	-	75,302
Other operating expenses	58,941	8,118	-	67,059
Total non-personnel expenses	<u>617,513</u>	<u>42,755</u>	<u>7,948</u>	<u>668,216</u>
Total Expenses	<u>\$ 2,163,299</u>	<u>\$ 229,955</u>	<u>\$ 7,948</u>	<u>\$ 2,401,202</u>

The notes to the financial statements are an integral part of this statement.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 290,098
Adjustments to reconcile change in net assets to net cash	
(Increase) decrease in operating assets	
Accounts receivable	(81,314)
Prepaid expenses	(30,329)
Increase (decrease) in operating liabilities	
Accounts payable	125,086
Net cash provided by (used in) operating activities	<u>303,541</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	303,541
Cash and cash equivalents - Beginning	<u>743,704</u>
Cash and cash equivalents - Ending	<u>\$ 1,047,245</u>
 SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Golden Oak Montessori of Hayward Charter School (the “Charter”) was formed as a nonprofit public benefit corporation on December 8, 2008 for the purpose of operating as a California public school located in Alameda County. The Charter was approved by the State Board of Education in March 2009 as California Charter No. 1067. The Charter’s mission is to provide students in grades one through eight in the Hayward area with the opportunity to acquire an education based on the educational philosophy of Dr. Maria Montessori, with an emphasis on independent learning; hands-on materials for a holistic education; and mixed-age classrooms to encourage long-term educational relationships and character development.

Golden Oak Montessori of Hayward Charter School is authorized to operate as a charter school through Hayward Unified School District (the “authorizing agency”). On January 15, 2014, the Board of Directors of Hayward Unified School District approved a charter renewal for the Charter for a five-year term beginning July 1, 2014 and expiring on June 30, 2019. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

Golden Oak Montessori of Hayward Charter School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Directors and management’s discretion in carrying out the activities of the organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a 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. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support operations. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Charter’s financial statement presentation.

D. 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, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

F. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

G. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Golden Oak Montessori of Hayward Charter School. Revenues are recognized by the Charter when earned.

H. Cash and Investments

Golden Oak Montessori of Hayward Charter School considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Charter's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2018, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets

Golden Oak Montessori of Hayward Charter School has not yet adopted a dollar threshold to determine purchases of capitalized assets. The Charter does not own, nor does it plan to acquire, property or equipment of significant value at this time. In accordance with the Charter's adopted policy, capital assets, once acquired, are to be depreciated using the straight-line method.

K. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

L. Income Taxes

Golden Oak Montessori of Hayward Charter School is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

M. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities* whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Charter has not yet determined the impact on the financial statements.

Revenue Recognition

In May 2014, the International Accounting Standards Board (IASB) and FASB issued a joint accounting standard on revenue recognition to address a number of concerns regarding the complexity and lack of consistency surrounding the accounting for revenue transactions. Consistent with each board's policy, FASB and IASB issued new reporting standards on revenue recognition. FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in FASB ASU No. 2014-09 provides a framework for revenue recognition and supersedes or amends several of the revenue recognition requirements in FASB ASC 605 *Revenue Recognition*. The guidance was originally effective for public entities for the fiscal year beginning after December 15, 2016. In August 2015, FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to allow entities additional time to implement systems, gather data, and resolve implementation questions. The new requirements are to be applied to fiscal years beginning after December 15, 2017. The Charter has not yet determined the impact on the financial statements.

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease and is effective for public business entities for fiscal years beginning after December 15, 2018. The Charter has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018 consisted of the following:

Cash in banks, interest bearing	\$ 1,043,833
Cash held with intermediary	3,412
Total Cash and Cash Equivalents	<u>\$ 1,047,245</u>

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in Banks – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Golden Oak Montessori of Hayward Charter School does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2018, \$857,609 of the Golden Oak Montessori of Hayward Charter School’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at US Bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consists of the following:

Local control funding sources	\$	156,921
Federal sources		78,136
Other state sources		47,438
In-lieu property taxes		64,671
Other local sources		12,167
Total Accounts Receivable	\$	359,333

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2018, consists of the following:

Due to authorizing agency	\$	56,192
Salaries and benefits		47,576
Other payroll-related accruals		68,835
Credit card liability		5,526
Vendor payables		35,064
Total Accounts Payable	\$	213,193

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018, temporarily restricted net assets consisted of \$193,789 in funding with State-imposed restrictions relating to the California Clean Energy Jobs Act (Proposition 39).

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 6 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS). The Charter also offers all employees an alternative plan who may not qualify for the CalSTRS retirement plan.

California State Teachers’ Retirement System (CalSTRS)

Plan Description

Golden Oak Montessori of Hayward Charter School contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 9.205% of their 2017-18 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2017-18 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter’s contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2017-18	\$ 134,034	100%
2016-17	\$ 106,686	100%
2015-16	\$ 34,526	100%

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Golden Oak Montessori of Hayward Charter School is estimated at \$52,626, which is computed as the proportionate share of total 2017-18 State on-behalf contributions.

Alternative Plan

As established by federal law, all public-sector employees who are not members of their employer’s existing retirement plan (CalSTRS) must be covered by an alternative plan. The Charter offers social security as its alternative plan.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

Golden Oak Montessori of Hayward Charter School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Multi-employer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately \$1,220,020 as of June 30, 2017 or 0.001% of the California State Teachers' Retirement Plan. Refer to Note 6 for additional information on employee retirement plans.

Facilities Memorandum of Understanding

In May 2014, Golden Oak Montessori of Hayward Charter School entered into a memorandum of understanding (MOU) with the Hayward Unified School District, the authorizing agency, to occupy space at 2652 Vergil Court in Castro Valley, California. The facility is utilized by the Charter for instructional services as well as for an administrative office. The term of the MOU is beginning July 1, 2014 and ending June 30, 2019 and serves as the authorizing agency's obligations under Proposition 39 to offer facilities and space sufficient to accommodate the Charter's students. Refer to Note 9 for additional information regarding related party transactions.

NOTE 8 – DONATED MATERIALS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Golden Oak Montessori of Hayward Charter School in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Charter makes payments to the authorizing agency, Hayward Unified School District, for required oversight fees. In accordance with California Education Code 47613(b), the authorizing agency may charge actual costs of oversight not to exceed 3% of revenue from local control funding formula sources if the authorizing agency also provides substantially free facilities; Hayward Unified School District provides such facilities. Additional information on the facilities MOU is mentioned in Note 7. Total fees paid to the authorizing agency for oversight and facility use amounted to \$75,302 for the fiscal year ending June 30, 2018.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 10 – SUBSEQUENT EVENTS

Golden Oak Montessori of Hayward Charter School has evaluated subsequent events for the period from June 30, 2018 through December 12, 2018, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION SECTION

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
CHARTER ORGANIZATIONAL STRUCTURE
JUNE 30, 2018

Golden Oak Montessori of Hayward Charter School, located in Alameda County, was formed as a nonprofit public benefit corporation on December 4, 2008 and approved by the State Board of Education in March 2009. The Charter was authorized to operate as a charter school through Hayward Unified School District. Classes began in August 2009. During 2017-18, the Charter served approximately 249 students in grades 1 to 8. Golden Oak Montessori of Hayward Charter School's charter number is 1067.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Kristin Rodriguez	Chairman	July 2020
Jorge Espinosa	Vice Chairman	August 2020
Mynor Morales	Treasurer	July 2020
Amy Comani	Secretary	July 2020
Jackie Moses	Member	July 2019
Meher Van Groenou	Member	June 2019
Sergio Knaebel	Member	June 2019
Nenshad Bardoliwalla	Member	November 2019

ADMINISTRATION

Gena Engelfried
Head of School

India Rodriguez
Operation Manager

Maria Omari*
Business Manager

* Business Manager resigned in May 2018

See accompanying note to supplementary information.

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
 SCHEDULE OF AVERAGE DAILY ATENDANCE
 FOR THE YEAR ENDED JUNE 30, 2018**

	Second Period	
	Report	Annual Report
<i>Certificate No.</i>	9DE7C8E0	F558C0BF
	Classroom-Based	
Grade Span		
First through third	95.68	95.74
Fourth through sixth	93.15	92.80
Seventh through eighth	49.95	50.02
Total Average Daily Attendance - Classroom-Based	238.78	238.56

The Charter had no Non-Classroom Based ADA in 2017-18.

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2018**

Grade Span	Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional	Calendar	
Grades 1 through 3	50,400	60,840	181		Complied
Grades 4 through 6	54,000	60,840	181		Complied
Grades 7 through 8	54,000	60,840	181		Complied

See accompanying note to supplementary information.

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED
FINANCIAL STATEMENTS
JUNE 30, 2018**

There were no adjustments to reconcile fund balance reported on the Financial Report – Alternative Form (Charter Unaudited Actuals) to net assets per the audited financial statements for the year ended June 30, 2018.

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

A. Charter Organizational Structure

This schedule provides information about the Charter’s authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

C. Schedule of Instructional Time

Golden Oak Montessori of Hayward Charter School receives, as part of their local control funding formula sources, incentive funding for maintaining instructional time. This schedule presents information on the amount of instructional time offered by the Golden Oak Montessori of Hayward Charter School and whether the Charter complied with the provisions of *Education Code Section 46200* through *46208*.

D. Reconciliation of Financial Report – Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile fund balance reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets on the audited financial statements.

**OTHER INDEPENDENT AUDITORS'
REPORTS**

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

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

To the Board of Directors of
Golden Oak Montessori of Hayward Charter School
Castro Valley, California

We have audited, 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, the financial statements of Golden Oak Montessori of Hayward Charter School (the "Charter") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter'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 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. We did identify a deficiency in internal control, described in the accompanying findings and questioned costs section that we consider to be a significant deficiency as Finding 2018-001.

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State Board of Accountancy*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter'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*.

Golden Oak Montessori of Hayward Charter School's Response to the Finding

Golden Oak Montessori of Hayward Charter School's response to the finding identified in our audit is described in the accompanying findings and questioned costs section. The Charter's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Charter'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 Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 12, 2018

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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To the Board of Directors of
Golden Oak Montessori of Hayward Charter School
Castro Valley, California

Report on State Compliance

We have audited Golden Oak Montessori of Hayward Charter School's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Golden Oak Montessori of Hayward Charter School's state programs for the fiscal year ended June 30, 2018, as 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 Golden Oak Montessori of Hayward Charter School'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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. 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 the state programs noted below. An audit includes examining, on a test basis, evidence about Golden Oak Montessori of Hayward Charter School'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 with the requirements referred to above. However, our audit does not provide a legal determination of Golden Oak Montessori of Hayward Charter School's compliance with those requirements.

Opinion on State Compliance

In our opinion, Golden Oak Montessori of Hayward Charter School complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Golden Oak Montessori of Hayward Charter School’s compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not applicable
Charter Schools	
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

Christy White Associates

San Diego, California
December 12, 2018

**FINDINGS AND QUESTIONED COSTS
SECTION**

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

The Charter did not expend \$750,000 or more in federal awards during the fiscal year 2017-18; therefore, this area is not applicable.

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING 2018-001: INTERNAL CONTROLS (30000)

Criteria: Proper internal controls over cash disbursements include procedures to ensure that all payments disbursed are for appropriate business purposes. For proper review and approval, all disbursements should be supported by approval documentation prior to incurring the expense and be accompanied by an original vendor invoice. Requests for reimbursements should be completed, approved by appropriate personnel, and include original itemized receipts. Additionally, expenditures paid by credit card transactions should be supported by an original itemized receipt with credit card statements reconciled to such receipts on a timely basis.

Condition: Inadequate internal controls were noted during our testing over cash disbursements, including credit card transactions. No purchase requisitions, purchase orders or other approval system is in place to clearly document the pre-approval of expenses prior to incurring the expense. An expense is incurred when the Charter is liable to pay for the goods or services. No credit card policy is established for the credit cardholder to clearly outline the appropriate use or the proper procedures for credit statement reconciliation or missing receipts.

Cause: The procurement policies within the fiscal policies manual were not implemented.

Effect: Potential for inappropriate use or unapproved use of Charter funds and errors in accounting records related to expenditures.

Recommendation: We recommend that approved fiscal policies be implemented and monitored by management and/or the Board. As mentioned in the fiscal policies, a purchase order should be utilized for indication of pre-approval. We recommend that the fiscal policies be updated to include procedures for non-mileage related reimbursements.

Additionally, we recommend that a credit card policy be established to clearly outline the agreement of the Charter and the cardholder regarding the appropriate use of the credit card, any limitations or exclusions (gas, gift cards, etc.), as well as the process for missing receipts (use of an affidavit, etc.).

Corrective Action Plan: In 2017-18 we contracted with CSMC, a back office provider to provide accounting services. We plan to implement these policies and procedures over the cash disbursement process and have implemented a credit card policy.

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no audit findings and questioned costs related to state awards during 2017-18.

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING 2017-001: INTERNAL CONTROLS (30000)

Criteria: Proper internal controls over cash disbursements include procedures to ensure that all payments disbursed are for appropriate business purposes. For proper review and approval, all disbursements should be supported by approval documentation prior to incurring the expense and be accompanied by an original vendor invoice. Requests for reimbursements should be completed, approved by appropriate personnel, and include original itemized receipts. Additionally, expenditures paid by credit card transactions should be supported by an original itemized receipt with credit card statements reconciled to such receipts on a timely basis.

Condition: Inadequate internal controls were noted during our testing over cash disbursements, including credit card transactions. No purchase requisitions, purchase orders or other approval system is in place to clearly document the pre-approval of expenses prior to incurring the expense. An expense is incurred when the Charter is liable to pay for the goods or services. No credit card policy is established for the credit cardholder to clearly outline the appropriate use or the proper procedures for credit statement reconciliation or missing receipts. Additional information is as follows:

- No indication of pre-approval was noted for eleven (11) of the twenty-five (25) sampled cash disbursements made by check. This accounted for \$75,799 in purchases of goods and services from various independent contractors and other vendors.
- A reimbursement expense form was either not utilized or not accurately completed indicating approval by appropriate personnel for six (6) of six (6) reimbursements within the twenty-five (25) sampled cash disbursements. This accounted for \$7,821 in reimbursements paid to employees.
- Inadequate or no support was noted for three (3) of ten (10) sampled credit card transactions. This accounted for purchases on credit of \$969.

Cause: The procurement policies within the fiscal policies manual were not implemented.

Effect: Potential for inappropriate use or unapproved use of Charter funds and errors in accounting records related to expenditures.

Recommendation: We recommend that approved fiscal policies be implemented and monitored by management and/or the Board. As mentioned in the fiscal policies, a purchase order should be utilized for indication of pre-approval. We recommend that the fiscal policies be updated to include procedures for non-mileage related reimbursements. Procedures should include the proper use of reimbursement forms.

Additionally, we recommend that a credit card policy be established to clearly outline the agreement of the Charter and the cardholder regarding the appropriate use of the credit card, any limitations or exclusions (gas, gift cards, etc.), as well as the process for missing receipts (use of an affidavit, etc.).

Corrective Action Plan: New policies and forms have been established that require a pre-approval signature for cash and/or credit card disbursements. We plan to implement these policies and procedures over the cash disbursement process and have implemented a credit card policy.

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING 2017-001: INTERNAL CONTROLS (30000) (continued)

Current Status: Not implemented, see Finding 18-001.

FINDING 2017-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)

Criteria: Students designated as an English Learner (EL), who are not classified as Free and Reduced Meal (FRPM) eligible and not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report, must have supporting documentation that indicates the student was eligible for this designation. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: Based on review and testing of student designations from the 2016-17 CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report, we noted an exception in our initial audit test work of EL-only students. Supporting documentation indicated that one (1) of four (4) students was Reclassified Fluent English Proficient (RFEP) rather than EL based on an assessment from the 2013-14 school year. Based on this error, further audit procedures were performed on the full population of EL-only students. Three (3) additional students were noted as not having sufficient supporting documentation to support the EL designation.

Effect: The charter school is not in compliance with State requirements. A total of four (4) students were found to be improperly designated.

Cause: Student designations for EL status were not annually assessed and properly updated in CALPADS.

Questioned Cost: A total of \$1,937 as calculated below using guidance from the California Department of Education (CDE):

GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018

FINDING 2017-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (continued)

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2			670	
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2			215	
3	Audit Adjustment - Number of Enrollment			9	
4	Audit Adjustment - Number of Unduplicated Pupil Count			(4)	
5	Revised Adjusted Enrollment			679	
6	Revised Adjusted Unduplicated Pupil Count			211	
7	UPP calculated as of P-2			0.3209	
8	Revised UPP for audit finding			0.3108	
9	Charter Schools Only: Determinative School District Concentration Cap			0.3209	
10	Revised UPP adjusted for Concentration Cap			0.3108	
LCFF Target Supplemental Grant Funding Audit Adjustment					
		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	92.56	87.93	47.85	0.00
10	Adjusted Base Grant per ADA	\$7,820	\$7,189	\$7,403	\$8,801
11	Target Supplemental Grant Funding calculated as of P-2				\$109,760
12	Revised Target Supplemental Grant Funding for audit finding				\$106,305
13	Target Supplemental Grant Funding audit adjustment				(\$3,455)
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				\$0
15	Revised Target Concentration Grant Funding for audit finding				\$0
16	Target Concentration Grant Funding audit adjustment				\$0
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				(\$3,455)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.5607679980
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				(\$1,937)

Recommendation: We recommend that language assessment documentation be reviewed and obtained for accurate CALPADS reporting.

Corrective Action Plan: We have initiated a review process over CalPADS to ensure students designated as English Learners are properly tested and designated.

Current Status: Implemented.

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING 2017-003: MODE OF INSTRUCTION (40000)

Criteria: Pursuant to California Code of Regulations (CCR) Title 5 §11963, classroom-based instruction must meet four requirements, one of which states that the charter school's pupils are to be under the immediate supervision of an employee of the charter school who is authorized to provide instruction to pupils within the meaning of Education Code (Ed Code) Section 47605(l). Per Ed Code Section 47605(l), teachers in charter schools shall hold a Commission on Teacher Credentialing certificate, permit or other document equivalent to that which a teacher in other public schools would be required to hold. Auditors are required to verify compliance with such Ed Code in Section BB of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. If not in full compliance of Section BB, the charter school could be eligible for apportionment if found in full compliance with Audit Section CC Nonclassroom-Based Instruction/Independent Study.

Condition: Based on review and testing of teacher certifications for classroom-based instructors, we found that two (2) employees in teaching positions did not hold an active teaching credential. Information for each employee is noted below:

For one teacher, the 30-day substitute teaching permit had expired on June 1, 2016 and a teaching credential was not issued and effective until November 23, 2016. As a result, the employee did not hold a valid teaching credential to provide classroom-based instruction to pupils in grades 1 to 3 for the period beginning with the start of school to November 22, 2016.

For the other teacher, only a certificate of clearance was available and no valid teaching certification was obtained during the school year. As a result, the employee did not hold a valid teaching credential to provide classroom-based instruction to pupils in grades 4 to 6.

Additionally, requirements of nonclassroom-based instruction were not met by the pupils engaged in instructional activities from the above classes.

Effect: The charter school is not in compliance with State requirements for mode of instruction, which also effects instructional time requirements.

Cause: Management and employee oversight of teaching credential status and expiration date.

Questioned Cost: There is no questioned cost directly related to Mode of Instruction; however, refer to Finding 2017-004 for the questioned cost related to instructional time.

Recommendation: We recommend that all credentials be monitored by management and individual teaching staff to ensure that all members of the charter school's teaching staff hold valid teaching credentials if responsible for the immediate supervision of charter school pupils under classroom-based instruction.

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING 2017-003: MODE OF INSTRUCTION (40000) (continued)

Corrective Action Plan: We have ensured a proper hiring process that includes verification of valid teaching credentials for individuals providing direct supervision to charter pupils.

Current Status: Implemented.

FINDING 2017-004: ANNUAL INSTRUCTIONAL MINUTES – CLASSROOM BASED (40000)

Criteria: In accordance with Education Code 47512.5(a)(1), for each fiscal year, a charter school shall offer a minimum of 50,400 instructional minutes for pupils in grades 1 to 3 and 54,000 instructional minutes for pupils in grades 4 to 8. Pursuant to California Code of Regulations (CCR) Title 5 §11963, classroom-based instruction must meet four requirements, one of which states that the charter school’s pupils are to be under the immediate supervision of an employee of the charter school who is authorized to provide instruction to pupils within the meaning of Education Code (Ed Code) Section 47605(l).

Condition: Based on review and testing of teacher certifications for classroom-based instructors, we found that two (2) employees in teaching positions did not hold an active teaching credential. As a result of non-credentialed employees providing instruction in core class subjects, the instructional time offered for this portion of the school day cannot be included in instructional time as it did not meet the criteria for classroom-based instruction. Per inquiry with school personnel, the portion of the school day that was dedicated to instruction of core subjects and did not include an instructor with a valid teaching credential was 30% for grades 1 – 3 and 15% for grades 4 – 6. This represented 108 minutes for regular days and 72 minutes for minimum days for grades 1 – 3 and 54 minutes and 36 minutes, respectively, for grades 4 – 6.

Employee 1: Pupils in grades 1 to 3 were provided instruction from a non-credentialed employee for the period of August 22, 2016 to November 22, 2016 or 57 school days consisting of 41 regular and 16 minimum days.

Employee 2: Pupils in grades 4 to 6 were provided instruction from a non-credentialed employee for the period of August 22, 2016 to June 21, 2017 or the full school year.

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING 2017-004: ANNUAL INSTRUCTIONAL MINUTES – CLASSROOM BASED (40000) (continued)

Effect: The charter school is not in compliance with State requirements for grades 4 -6. Instructional time has been reduced for grades 1 – 3 on the schedule of instructional time; however, the reduction does not cause the Charter to be out of compliance with regard to offering the minimum annual instructional minutes. Instructional time is reduced as follows:

	Span	School Days				Disallowed Minutes			
		Regular	Minimum	Field Trip*	Total	Regular	Minimum	Field Trip*	Total
Employee 1	1 - 3	41	16	0	57	4,428	1,152	-	5,580
Employee 2	4 - 6	132	43	3	178	7,128	1,548	-	8,676

*The Charter conducted a 3 day, 2-night field trip during May 1 – 3, 2017 in which all students in grades 4 – 6 participated in educational activities under the direct supervision of certificated personnel.

Cause: Management and employee oversight of teaching credential status and expiration date.

Questioned Cost: A total penalty of \$8,043 based on guidance from the California Department of Education (CDE) as calculated below:

		Instructional Time Grade Spans	
		1-3	4-6
1	Affected grade level(s)		
2	Affected grade level ADA	22.65	16.86
3	Derived Value of ADA by Grade Span	\$ 7,830.29	\$ 7,453.74
Instructional Minutes Penalty Calculation			
4	Number of required minutes	50,400	54,000
5	Number of minutes short	-	3,456
6	Percentage of Minutes Not Offered	0.00%	6.40%
7	Affected LCFF Apportionment by Grade Span	\$ 177,356	\$ 125,670
8	Instructional Time Penalty by Grade Span	\$ -	\$ 8,043
9	Total Instructional Time Penalty		\$ 8,043

**GOLDEN OAK MONTESSORI OF HAYWARD CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING 2017-004: ANNUAL INSTRUCTIONAL MINUTES – CLASSROOM BASED (40000) (continued)

Recommendation: We recommend that all credentials be monitored by management and individual teaching staff to ensure that all members of the charter school's teaching staff hold valid teaching credentials if responsible for the immediate supervision of charter school pupils under classroom-based instruction.

Corrective Action Plan: As mentioned above, we plan on monitoring valid teaching credentials throughout the hiring process, as well as, the duration of employment to ensure instructional minutes requirements are being met.

Current Status: Implemented.