



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

COMMUNITY SCHOOL FOR CREATIVE EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Received by MLaMar
December 15, 2014

COMMUNITY SCHOOL FOR CREATIVE EDUCATION

INTRODUCTORY SECTION

JUNE 30, 2014

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
TABLE OF CONTENTS
JUNE 30, 2014**

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditors' Report	2 - 3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12
SUPPLEMENTARY INFORMATION SECTION	
Organization	13
Schedule of Average Daily Attendance	14
Schedule of Instructional Time	15
Statement of Functional Expenses	16
Reconciliation Charter School Unaudited Actuals Financial Report—Alternative Form with Audited Financial Statements	17
Reconciliation Charter School Unaudited Actuals Financial Report—Alternative Form with Audited Financial Statements	18
OTHER INDEPENDENT AUDITORS' REPORTS SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Independent Auditors' Report on State Compliance	20 - 21
Independent Auditors' Report on State Compliance	22 - 23
FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of Audit Findings and Questioned Costs	24
Summary Schedule of Prior Audit Findings	25 - 26
Summary Schedule of Prior Audit Findings	27

COMMUNITY SCHOOL FOR CREATIVE EDUCATION

FINANCIAL SECTION

JUNE 30, 2014



INDEPENDENT AUDITORS' 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, 2014, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community School for Creative Education as of June 30, 2014, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, 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.

Hosaka, Rotherham & Company

San Diego, California
November 14, 2014

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014**

ASSETS

Current assets:

Cash (Note 3)	\$	176,662
Accounts receivable (Note 4)		605,806
Prepaid expenses		8,163
Total current assets		790,631

TOTAL ASSETS

\$ 790,631

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	30,405
Accrued expenses		38,670
Deferred revenue (Note 2)		21,000
Current portion of long-term liabilities (Note 6)		62,500
Promissory notes payable (Note 5)		300,000
Total current liabilities		452,575

Long-term liabilities:

Notes payable, net of current portion (Note 6)		62,500
Total long-term liabilities		62,500

Total liabilities

515,075

Net assets:

Temporarily restricted (Note 9)		102,092
Unrestricted		173,464
Total net assets		275,556

TOTAL LIABILITIES AND NET ASSETS

\$ 790,631

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

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Revenue limit sources:			
State aid	\$ 544,623	\$ -	\$ 544,623
Education protection account	173,733		173,733
In-lieu of property taxes	272,659	-	272,659
Federal revenues	43,612	-	43,612
State revenues	589,850	102,092	691,942
Local revenues:			
Donations	216,150	-	216,150
Fundraising	29,240	-	29,240
Miscellaneous	12,724	-	12,724
Total revenues	<u>1,882,591</u>	<u>102,092</u>	<u>1,984,683</u>
EXPENSES			
Program services:			
Education	1,330,532	-	1,330,532
Support services:			
Management and general	482,500	-	482,500
Total expenses	<u>1,813,032</u>	<u>-</u>	<u>1,813,032</u>
CHANGE IN NET ASSETS	69,559	102,092	171,651
NET ASSETS, BEGINNING OF YEAR	103,789	-	103,789
PRIOR PERIOD ADJUSTMENT	116	-	116
NET ASSETS, END OF YEAR	<u>\$ 173,464</u>	<u>\$ 102,092</u>	<u>\$ 275,556</u>

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

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 171,651
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	(186,151)
Prepaid expenses	(8,163)
Increase (decrease) in operating liabilities:	
Accounts payable	(20,820)
Accrued expenses	32,293
Deferred revenue	21,000
Net cash flows provided by operating activities	9,810

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from long-term liability	-
Payment on long-term liability	(247,500)
Net cash flows provided by financing activities	(247,500)

NET CHANGE IN CASH (237,690)

PRIOR PERIOD ADJUSTMENT 116

CASH, BEGINNING OF YEAR 114,236

CASH, END OF YEAR \$ (123,338)

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

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - ORGANIZATION AND MISSION

Community School for Creative Education (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 currently serves approximately 160 students in Kindergarten through grade 5.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Non-For-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Organization reports information regarding its financial position and activities according to three classes of net assets:

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

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. There were \$51,046 of temporarily restricted net assets as of June 30, 2014.

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, 2014.

B. Accounting Method - Basis of Accounting

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

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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.

D. 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.

E. Cash

Cash and cash equivalents is from time to time variously composed of cash on hand, and in banks.

F. 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.

G. Deferred Revenue

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

H. 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.

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Revenue sources and recognition

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

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

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

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

NOTE 3 - CASH

Cash at June 30, 2014, consisted of the following:

Deposits:

Cash in bank	\$ 176,662
Total cash	<u>\$ 176,662</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, 2014, the Organization had no uninsured cash.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, consisted of the following:

Revenue limit sources:

State aid	\$ 208,587
Education protection account	60,888
In-lieu of property taxes	31,860
Federal revenues	15,498
Special Education	279,530
Local revenues:	
Miscellaneous	<u>9,443</u>
Total accounts receivable	<u>\$ 605,806</u>

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - SHORT-TERM LIABILITIES

Charter School Promissory Note

In March and May of 2014 the Organization took out Charter School Promissory Notes in the principal amount of \$150,000 each, with interest at 5.00% per annum. The loans have a maturity date of October 31, 2014. All principal and interest amounts on the Charter School Promissory Notes were paid on October 31, 2014.

NOTE 6 - LONG-TERM LIABILITIES

A. Long-term liabilities activity

Changes in obligations for the fiscal year ended June 30, 2014, are as follows:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Due in One year
Note Payable	\$ 185,000	\$ -	\$ (185,000)	\$ -	\$ -
Revolving Loan	187,500	-	(62,500)	125,000	62,500
Total	<u>\$ 372,500</u>	<u>\$ -</u>	<u>\$ (247,500)</u>	<u>\$ 125,000</u>	<u>\$ 62,500</u>

B. Charter School Revolving Loan

On July 18, 2013, the Organization received a forty eight (48) month Charter School Revolving Loan in the principal amount of \$250,000 with interest at 0.35%. Principle payments of \$62,500 plus interest will be deducted from August through January by the California Department of Education and the loan will mature on June 28, 2016. Debt service requirements for this note payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 62,500	386	\$ 62,886
2016	62,500	171	62,671
	<u>\$ 125,000</u>	<u>\$ 557</u>	<u>\$ 125,557</u>

NOTE 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).

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

STRS

Plan Description

The Organization contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. 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, 2013, total plan net assets are \$152.5 billion, the total actuarial present value of accumulated plan benefits is \$277.3 billion, contributions from all employers totaled \$2.1 billion, and the plan is 66.9%. The Organization did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members are required to contribute 8.00% 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 2013-2014 was 8.25% 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, 2014, 2013, and 2012, were \$55,836, \$40,688 and \$40,323, respectively, and equal 100% of the required contribution for each fiscal year.

NOTE 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.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of entitlements received but not expended as of June 30, 2014. At June 30, 2014, the Organization temporarily restricted net assets consisted of:

Proposition 39 - California Clean Energy Jobs Act	<u>102,092</u>
Total temporarily restricted net assets	<u>\$ 102,092</u>

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 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.

NOTE 11 - SUBSEQUENT EVENT

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 14, 2014, 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.

COMMUNITY SCHOOL FOR CREATIVE EDUCATION

SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2014

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
ORGANIZATION
JUNE 30, 2014**

Community School for Creative Education [Charter #1284] is a Grade K-5 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 Board of Directors for the fiscal year ended June 30, 2014, was comprised of the following members:

Name	Office	Term	Term Expiration
John Lundell	Chairman	5 Years	December 1, 2014
David Castillo	Vice Chairman	5 Years	December 1, 2017
Andrew Peters	Member	5 Years	December 1, 2017
Michele Meyers	Member	5 Years	December 1, 2015
Suzanne Larson	Member	5 Years	December 1, 2016
Peter Hanley	Member	5 Years	December 1, 2018
Alba Hernandez	Member	5 Years	November 1, 2018
Andrea Kent	Member	5 Years	November 1, 2018

Administration	
Name	Position
Ida Oberman	Founding Director
Alejandra Baez	Office Manager

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Second Period Report</u>	<u>Annual Period Report</u>
	Resident	Resident
Kindergarten - 3	116.67	117.41
Grades 4 - 6	44.10	43.54
Total elementary	160.77	160.95

The Organization's Charter School is 100% classroom-based and generates no ADA from a full-time independent study program.

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Grade Level	1986-87 Minutes Requirements*	2013-2014 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	34,971	50,100	180	In Compliance
Grade 1	48,960	56,880	180	In Compliance
Grade 2	48,960	56,880	180	In Compliance
Grade 3	48,960	57,540	180	In Compliance
Grade 4	52,457	57,540	180	In Compliance
Grade 5	52,457	57,540	180	In Compliance

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

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Services	Support Services	Total
	Education	Management and General	
Certificated salaries	\$ 416,873	\$ 159,594	\$ 576,467
Classified salaries	336,333	103,256	439,589
Employee benefits	147,866	50,356	198,222
Books and supplies	57,281	7,058	64,338
Travel and conferences	23,509	8,202	31,712
Dues and Memberships	2,492	870	3,361
Insurance	9,503	3,316	12,819
Operation and housekeeping services	30,992	12,061	43,053
Rental, leases, repairs, and non-capitalized improvements	56,254	19,631	75,886
Professional/consulting services and operating expenditures	245,052	116,628	361,680
Communications	4,377	1,528	5,905
Total expenses	<u>\$ 1,330,532</u>	<u>\$ 482,500</u>	<u>\$ 1,813,032</u>

**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, 2014**

	Charter School
June 30, 2014, Charter School Unaudited Actuals Financial Report -- Alternative Form, Ending Fund Balance	\$ 170,682
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Temporarily restricted net asset adjustment	102,092
Prior period adjustment	116
Note payable adjustment	2,666
Net adjustments and reclassifications	104,874
June 30, 2014, audited financial statement net assets	\$ 275,556

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
OTHER INDEPENDENT AUDITORS' REPORTS SECTION
JUNE 30, 2014**



Hosaka, Rotherham & Company
Certified Public Accountants

hrccpa.com

James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

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

Board of Directors
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, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2014.

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.

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

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Hosaka, Rotherham & Company

San Diego, California
November 14, 2014



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, 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, 2014. 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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, 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:

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE
Page 2

Description	Procedures In Audit Guide	Procedures Performed
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula		
Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, for charter schools	4	Yes
Charter School Facility Grant Program	1	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, 2014.

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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

Hosaka, Rotherham & Company

San Diego, California
November 14, 2014

COMMUNITY SCHOOL FOR CREATIVE EDUCATION

FINDINGS AND RECOMMENDATIONS SECTION

JUNE 30, 2014

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Any audit findings disclosed that are required to be reported in accordance with section .510(a) or Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

The Organization did not have over \$500,000 in Federal Expenditures.

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

Auditee qualified as low-risk auditee? Yes X No

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A. Summary of Auditors' Results (Continued)

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

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

Type of auditors' report issued on compliance
for state programs: Unqualified

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

**COMMUNITY SCHOOL FOR CREATIVE EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

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