

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2016**

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

TABLE OF CONTENTS
June 30, 2016

Independent Auditor’s Report.....1

Statement of Financial Position3

Statement of Activities.....4

Statement of Cash Flows5

Statement of Functional Expenses6

Notes to the Financial Statements.....7

Local Education Agency Organization Structure10

Schedule of Instructional Time.....11

Schedule of Average Daily Attendance12

Reconciliation of Annual Financial Report with Audited Financial Statements13

Notes to the Supplementary Information.....14

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards.....15

Independent Auditor’s Report on State Compliance17

Schedule of Findings and Questioned Costs.....19

Status of Prior Year Findings and Questioned Costs.....20



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Francophone Charter School of Oakland
Oakland, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Francophone Charter School of Oakland (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses 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 of 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.

Board of Directors
Francophone Charter School of Oakland

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2016, 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 School's financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are 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 a report dated December 13, 2016 on our consideration of the School'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 the 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 School's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 13, 2016

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 24,658
Accounts receivable - federal and state	446,074
Accounts receivable - other	119
Prepaid expenses and other assets	<u>4,137</u>
Total current assets	<u>474,988</u>
Total assets	<u>\$ 474,988</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 161,036
Revolving loan payable, current portion	<u>50,000</u>
Total current liabilities	<u>211,036</u>

LONG-TERM LIABILITIES:

Revolving loan payable	<u>200,000</u>
Total long-term liabilities	<u>200,000</u>

NET ASSETS:

Unrestricted	<u>63,952</u>
Total net assets	<u>63,952</u>
Total liabilities and net assets	<u>\$ 474,988</u>

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

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

REVENUES:

State revenue:	
State aid	\$ 685,957
Other state revenue	21,180
Federal revenue:	
Grants and entitlements	511,302
Local revenue:	
In-lieu property tax revenue	222,601
Contributions	106,530
Interest income	16
Other revenue	91,200
Total revenues	<u>1,638,786</u>

EXPENSES:

Program services	1,336,895
Management and general	238,176
Total expenses	<u>1,575,071</u>
Change in unrestricted net assets	63,715
Beginning unrestricted net assets	<u>237</u>
Ending unrestricted net assets	<u>\$ 63,952</u>

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

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

CASH FLOWS from OPERATING ACTIVITIES:

Change in net assets	\$ 63,715
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Change in operating assets:	
Accounts receivable - federal and state	(446,074)
Accounts receivable - other	(119)
Prepaid expenses and other assets	(4,137)
Change in operating liabilities:	
Deferred revenue	(242,170)
Accounts payable and accrued liabilities	<u>161,036</u>
Net cash flows from operating activities	<u>(467,749)</u>

CASH FLOWS from FINANCING ACTIVITIES:

Proceeds from debt	250,000
Repayments of debt	<u>(2,000)</u>
Net cash flows from financing activities	<u>248,000</u>
Net change in cash and cash equivalents	(219,749)
Cash and cash equivalents at the beginning of the year	<u>244,407</u>
Cash and cash equivalents at the end of the year	<u>\$ 24,658</u>

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

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program	Management	Total
	Services	and General	Expenses
Salaries and wages	\$ 496,615	\$ 124,154	\$ 620,769
Other employee benefits	37,373	9,343	46,716
Payroll taxes	27,885	6,971	34,856
Legal expenses	-	30,466	30,466
Accounting expenses	-	3,000	3,000
Instructional materials	286,972	-	286,972
Other fees for services	160,981	28,452	189,433
Advertising and promotion expenses	8,632	-	8,632
Office expenses	41,434	10,359	51,793
Printing and postage expenses	-	960	960
Information technology expenses	42,519	10,630	53,149
Occupancy expenses	74,610	-	74,610
Travel expenses	405	-	405
Insurance expense	-	13,841	13,841
Other expenses	159,469	-	159,469
	<u>\$ 1,336,895</u>	<u>\$ 238,176</u>	<u>\$ 1,575,071</u>

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

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Francophone Charter School of Oakland (the School) is a not-for-profit benefit corporation under the laws of the State of California for the purpose of managing and operating a public charter school located in Oakland. The School is economically dependent on state and federal funding.

The charter may be revoked by the Oakland Unified School District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Cash and Cash Equivalents – The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

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 the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Functional Allocation of Expenses – Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Basis of Presentation – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

Net Asset Classes – The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the School are defined as:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The School does not currently have any temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

Receivables – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2016. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property Taxes – Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences – Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation.

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. 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.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income Taxes – The School is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Evaluation of Subsequent Events – The School has evaluated subsequent events through December 13, 2016, the date these financial statements were available to be issued.

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 2: CONCENTRATION OF CREDIT RISK

The School maintains substantially all of its cash at Bank of America which is insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The School at times has deposits in excess of the FDIC insurance limit in these accounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 3: LONG-TERM DEBT

California Department of Education

The School received a revolving loan from the California Department of Education (CDE) in the amount of \$250,000. The loan requires annual principal payments of \$50,000. The loan has a term of 5 years and carries an interest rate of .34 %. Annual payments of principal and interest are deducted from the School's apportionment.

The loan repayment by year is as follows:

Year Ended	
<u>June 30,</u>	
2017	\$ 50,000
2018	50,000
2019	50,000
2020	50,000
2021	<u>50,000</u>
Total	<u>\$ 250,000</u>

NOTE 4: CONTINGENCIES

The 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 disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2016**

	Instructional Minutes		Instructional	
	Requirement	Actual	Days	Status
Kindergarten	36,000	67,575	188	In compliance
Grade 1	50,400	63,815	188	In compliance
Grade 2	50,400	63,815	188	In compliance
Grade 3	50,400	63,815	188	In compliance

See independent auditor's report and the notes to the supplementary information.

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2016**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom</u>		<u>Classroom</u>	
	<u>Based</u>	<u>Total</u>	<u>Based</u>	<u>Total</u>
Grades TK / K-3	<u>107.61</u>	<u>108.02</u>	<u>107.99</u>	<u>108.71</u>
ADA Totals	<u><u>107.61</u></u>	<u><u>108.02</u></u>	<u><u>107.99</u></u>	<u><u>108.71</u></u>

See independent auditor's report and the notes to the supplementary information.

FRANCOPHONE CHARTER SCHOOL OF OAKLAND
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

There were no differences between the unrestricted net assets reported on the June 30, 2016 Annual Financial Report and the audited fund balances (net assets).

See independent auditor's report and the notes to the supplementary information.

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of the Education Code.

Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the 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.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.



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

Board of Directors
Francophone Charter School of Oakland
Oakland, CA

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 Francophone Charter School of Oakland (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 non-compliance 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 13, 2013



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
Francophone Charter School of Oakland
Oakland, CA

We have audited Francophone Charter School of Oakland ’s (the School) compliance with the types of compliance requirements described in the *2015-2016 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The School’s State compliance requirements are identified in the table below.

Management’s Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

Auditor’s Responsibility

Our responsibility is to express an opinion on the School’s compliance based on our audit of the types of compliance requirements referred to below. 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 *2015-2016 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, 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 specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the 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 State compliance. Our audit does not provide a legal determination of the School’s compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the School’s compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Not applicable
California Clean Energy Jobs Act	Not applicable
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	No ¹
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

¹Did not perform procedures because the independent study ADA was below the level which requires testing.

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-2016 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 13, 2016

FRANCOPHONE CHARTER SCHOOL OF OAKLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements federal or state awards for June 30, 2016.

FRANCOPHONE CHARTER SCHOOL OF OAKLAND

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

Not applicable; the year ending June 30, 2016 was the School's first year of operations.