

CALIBER SCHOOLS

**Consolidated Financial Statements
And Independent Auditor's Report**

**For the Year Ended
June 30, 2015**

Currently Operating:

Caliber Beta Academy

CALIBER SCHOOLS

TABLE OF CONTENTS
June 30, 2015

Independent Auditor's Report 1

Consolidated Statement of Financial Position 3

Consolidated Statement of Activities..... 4

Consolidated Statement of Cash Flows 5

Consolidated Statement of Functional Expenses 6

Notes to the Consolidated Financial Statements..... 7

Local Education Agency Organization Structure 10

Schedule of Instructional Time 12

Schedule of Average Daily Attendance 13

Reconciliation of Annual Financial Report with Audited Financial Statements 14

Schedule of Expenditures for Federal Awards 15

Notes to the Supplementary Information..... 16

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*..... 17

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 19

Independent Auditor's Report on State Compliance 21

Schedule of Findings and Questioned Costs..... 23

Status of Prior Year Findings and Questioned Costs 25

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Caliber Schools
Richmond, CA

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Caliber Schools (School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2015, 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
Caliber Schools

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the consolidated financial position of School as of June 30, 2015, 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.

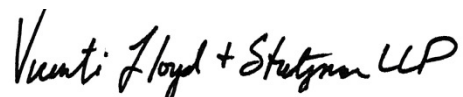
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on School's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 September 22, 2015 on our consideration of 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 School's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
September 22, 2015

CALIBER SCHOOLS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2015

	Caliber Beta			Total
	Academy	CMO	CEBRE	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 717,278	\$ 1,212,089	\$ 49,900	\$ 1,979,267
Accounts receivable - federal and state	337,019	-	-	337,019
Accounts receivable - other	2,950	5,000	-	7,950
Prepaid expenses and other assets	92,361	2,330	100,100	194,791
Total current assets	<u>1,149,608</u>	<u>1,219,419</u>	<u>150,000</u>	<u>2,519,027</u>
Total assets	<u>\$ 1,149,608</u>	<u>\$ 1,219,419</u>	<u>\$ 150,000</u>	<u>\$ 2,519,027</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 164,195	\$ 27,119	\$ -	\$ 191,314
Total current liabilities	<u>164,195</u>	<u>27,119</u>	<u>-</u>	<u>191,314</u>
LONG-TERM LIABILITIES:				
Notes payable	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
NET ASSETS:				
Unrestricted	<u>985,413</u>	<u>1,192,300</u>	<u>-</u>	<u>2,177,713</u>
Total net assets	<u>985,413</u>	<u>1,192,300</u>	<u>-</u>	<u>2,177,713</u>
Total liabilities and net assets	<u>\$ 1,149,608</u>	<u>\$ 1,219,419</u>	<u>\$ 150,000</u>	<u>\$ 2,519,027</u>

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

CALIBER SCHOOLS

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Caliber Beta			
	<u>Academy</u>	<u>CMO</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES:				
State revenue:				
State aid	\$ 1,552,205	\$ -	\$ -	\$ 1,552,205
Other state revenue	195,197	-	-	195,197
Federal revenue:				
Grants and entitlements	673,057	-	-	673,057
Local revenue:				
In-lieu property tax revenue	605,384	-	-	605,384
Investment income	40	-	-	40
Other revenue	809,246	1,430,259	(215,759)	2,023,746
Total revenues	<u>3,835,129</u>	<u>1,430,259</u>	<u>(215,759)</u>	<u>5,049,629</u>
EXPENSES:				
Program services	3,096,720	12,547	-	3,109,267
Management and general	215,759	458,950	(215,759)	458,950
Total expenses	<u>3,312,479</u>	<u>471,497</u>	<u>(215,759)</u>	<u>3,568,217</u>
Change in unrestricted net assets	522,650	958,762	-	1,481,412
Beginning unrestricted net assets	<u>462,763</u>	<u>233,538</u>	<u>-</u>	<u>696,301</u>
Ending unrestricted net assets	<u>\$ 985,413</u>	<u>\$ 1,192,300</u>	<u>\$ -</u>	<u>\$ 2,177,713</u>

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

CALIBER SCHOOLS

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

	Caliber Beta			Total
	Academy	CMO	CEBRE	
CASH FLOWS from OPERATING ACTIVITIES:				
Change in net assets	\$ 522,650	\$ 958,762	\$ -	\$ 1,481,412
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Change in operating assets:				
Accounts receivable - federal and state	(222,284)	-	-	(222,284)
Accounts receivable - other	(2,950)	(5,000)	-	(7,950)
Prepaid expenses and other assets	(92,361)	(2,330)	(100,100)	(194,791)
Change in operating liabilities:				
Accounts payable and accrued liabilities	(535,805)	9,078	-	(526,727)
Net cash flows from operating activities	<u>(330,750)</u>	<u>960,510</u>	<u>(100,100)</u>	<u>529,660</u>
CASH FLOWS from FINANCING ACTIVITIES:				
Proceeds from debt	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Net change in cash and cash equivalents	(330,750)	960,510	49,900	679,660
Cash and cash equivalents at the beginning of the year	<u>1,048,028</u>	<u>251,579</u>	<u>-</u>	<u>1,299,607</u>
Cash and cash equivalents at the end of the year	<u>\$ 717,278</u>	<u>\$ 1,212,089</u>	<u>\$ 49,900</u>	<u>\$ 1,979,267</u>

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

CALIBER SCHOOLS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Program	Management		Total
	Services	and General	Eliminations	Expenses
Salaries and wages	\$ 1,356,873	\$ 216,887	\$ -	\$ 1,573,760
Pension expense	47,140	10,626	-	57,766
Other employee benefits	131,904	32,945	-	164,849
Payroll taxes	122,523	17,328	-	139,851
Management fees	23,355	-	-	23,355
Legal expenses	11,739	6,975	-	18,714
Accounting expenses	-	3,750	-	3,750
Instructional materials	398,014	-	-	398,014
Other fees for services	696,740	328,693	(215,759)	809,674
Office expenses	71,800	14,400	-	86,200
Printing and postage expenses	19,312	-	-	19,312
Information technology expenses	79,119	4,178	-	83,297
Occupancy expenses	94,210	-	-	94,210
Travel expenses	9,431	1,469	-	10,900
Conference and meeting expenses	16,130	22,563	-	38,693
Insurance expense	564	14,545	-	15,109
Other expenses	30,413	350	-	30,763
	<u>\$ 3,109,267</u>	<u>\$ 674,709</u>	<u>\$ (215,759)</u>	<u>\$ 3,568,217</u>

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

CALIBER SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Caliber Schools (the School) is a California non-profit public benefit corporation and is organized to manage and operate public charter schools. The School is funded principally through State of California public education monies received through the California Department of Education (CDE).

The charters may be revoked by the sponsor 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.

The accompanying financial statements include the accounts of Caliber Beta Academy (CBA), Caliber Schools Charter Management (CMO) and Caliber East Bay Real Estate (CEBRE), a separate 501(c)(3) nonprofit corporation and sole member of Valle Vista, Education, LLC (VVE).. All significant intracompany and intercompany accounts and transactions between these entities have been eliminated in the financial statements.

Cash and Cash Equivalents – 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 School 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 – 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 School consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of School.

CALIBER SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. 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 School. 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, 2015. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

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 School schools are 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 – School does not allow employees to carryover unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2015.

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by the schools 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. 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 – 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. 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.

CALIBER SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allocations Between Charter Schools and CMO – For the year ended June 30, 2015, School has chosen to identify each charter school and the CMO separately within the basic financial statements. In cases where specific identification of each charter's activities was not possible, items were allocated based upon identified criteria.

Evaluation of Subsequent Events – School has evaluated subsequent events through September 22, 2015, the date these financial statements were available to be issued.

NOTE 2: CONCENTRATION OF CREDIT RISK

School maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. 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

VVE entered into a \$150,000 promissory note with Beller-Moses, an unrelated third party. The note is non-interest bearing and matures on June 23, 2017.

NOTE 4: CONTINGENCIES

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.

SUPPLEMENTARY INFORMATION

CALIBER SCHOOLS

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2015

Caliber Schools (the School) is a California non-profit public benefit corporation and is organized to manage and operate public charter schools.

The School began serving students at Caliber Beta Academy in August 2014. Caliber Beta Academy (#1622) is sponsored by the Contra Costa County Office of Education. The current charter expires June 30, 2019.

CALIBER SCHOOLS

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (continued)
For the Year Ended June 30, 2015**

The Board of Directors and the Administrators as of the year ended June 30, 2015 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Ron Beller	Co-Founder and co-CEO	2017
Jennifer Moses	Co-Founder and co-CEO	2018
Vivian Wu	Board Chair	2017
Pete Briger	Member	2016
Dan Katzir	Member	2018
Anthony Adams	Member	2018

ADMINISTRATORS

Natalie Walchuk	Founding School Leader
Markus Mullarkey	Director of Operations - COO
Chayla Gibson	Operations Manager

CALIBER SCHOOLS

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2015**

Caliber Beta Academy

	Instructional Minutes			Instructional Days	Status
	Requirement	Reduced	Actual		
Kindergarten	36,000	34,971	73,305	180	In compliance
Grade 1	50,400	48,960	70,605	180	In compliance
Grade 2	50,400	48,960	70,605	180	In compliance
Grade 3	50,400	48,960	70,605	180	In compliance
Grade 6	54,000	52,457	70,605	180	In compliance

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

CALIBER SCHOOLS

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015**

Caliber Beta Academy

	<u>Second Period Report</u>		<u>Annual Report</u>	
	Classroom		Classroom	
	<u>Based</u>	<u>Total</u>	<u>Based</u>	<u>Total</u>
K-Grade 3	235.79	235.79	233.72	233.72
Grade 6	<u>43.28</u>	<u>43.28</u>	<u>42.05</u>	<u>42.05</u>
ADA Totals	<u>279.07</u>	<u>279.07</u>	<u>275.77</u>	<u>275.77</u>

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

CALIBER SCHOOLS

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

There were no adjustments or reclassifications for the year ended June 30, 2015.

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

CALIBER SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Pass Through Program From California Department of Education:			
No Child Left Behind Act			
Title I, Part A, Basic Grants			
Low-Income and Neglected	84.010	14329	\$ 97,412
Title II, Part A, Teacher Quality	84.367	14341	1,522
Special Ed: IDEA	84.027	13379	10,142
Public Charter Schools Grant Program	84.282A	14941	281,934
<i>Total U.S Department of Education</i>			<u>391,010</u>
<i>U.S. Department of Agriculture:</i>			
Pass Through Program From California Department of Education:			
Child Nutrition Programs	10.555	N/A	<u>282,047</u>
<i>Total U.S Department of Agriculture</i>			<u>282,047</u>
Total Federal Expenditures			<u><u>\$ 673,057</u></u>

N/A - Pass-through entity number not readily available or not applicable.

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

CALIBER SCHOOLS

NOTES TO THE SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2015

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 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.

Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the accrual basis of accounting.



**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
Caliber Schools
Richmond, 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 Caliber Schools (School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated September 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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
September 22, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Board of Directors
Caliber Schools
Richmond, CA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Caliber Schools (School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of School's major federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 major federal program occurred. An audit includes examining, on a test basis, evidence about 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 for each major federal program. However, our audit does not provide a legal determination of School's compliance.

Opinion on Each Major Federal Program

In our opinion, School 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 major federal programs for the year ended June 30, 2015.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Report on Internal Control Over Compliance

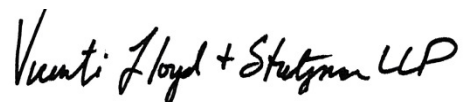
Management of School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of School's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP

Glendora, CA

September 22, 2015

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
 Caliber Schools
 Richmond, CA

We have audited Caliber Schools’s (School) compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2015. 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 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about 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 School’s compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine 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:	
California Clean Energy Jobs Act	Not applicable
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Not applicable

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
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

Opinion on State Compliance

In our opinion, School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
September 22, 2015

CALIBER SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:
Material weakness(es) identified? *No*
Significant deficiencies identified that are
not considered to be material weakness(es)? *None Reported*

Noncompliance material to financial statements noted? *No*

Federal Awards

Internal control over major programs:
Material weakness(es) identified? *No*
Significant deficiencies identified that are
not considered to be material weakness(es)? *None Reported*

Type of auditor's report issued on compliance for major programs: *Unmodified*

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.282A	Public Charter Schools Grant Program
10.555	Child Nutrition Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? *No*

CALIBER SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

All audit findings must be identified as one or more of the following twelve 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 awards or state awards for June 30, 2015.

CALIBER SCHOOLS

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year as this is the first year of operations.