

CALIBER SCHOOLS

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

**For the Year Ended
June 30, 2016**

Consolidating:

**Caliber Schools
Caliber East Bay Real Estate
Valle Vista Education LLC**

Currently Operating:

Caliber Beta Academy

CALIBER SCHOOLS

TABLE OF CONTENTS
June 30, 2016

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 the Uniform Guidance..... 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 (the School), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated 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 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.

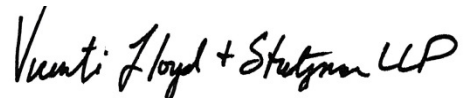
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance. 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 21, 2016 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 the School's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
September 21, 2016

CALIBER SCHOOLS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION June 30, 2016

	Caliber				Total
	Caliber Beta Academy	ChangeMakers Academy	CMO	CEBRE	
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 446,282	\$ 164,764	\$ 1,567,995	\$ 734,075	\$ 2,913,116
Accounts receivable - federal and state	1,006,297	98,753	-	-	1,105,050
Accounts receivable - other	45,527	-	2,606	-	48,133
Prepaid expenses and other assets	35,258	900	1,350	3,971	41,479
Total current assets	<u>1,533,364</u>	<u>264,417</u>	<u>1,571,951</u>	<u>738,046</u>	<u>4,107,778</u>
LONG-TERM ASSETS:					
Property, plant and equipment, net	8,107	-	-	650,000	658,107
Total long-term assets	<u>8,107</u>	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>658,107</u>
Total assets	<u>\$ 1,541,471</u>	<u>\$ 264,417</u>	<u>\$ 1,571,951</u>	<u>\$ 1,388,046</u>	<u>\$ 4,765,885</u>
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities	\$ 306,602	\$ 18,059	\$ 94,664	\$ 2,425	\$ 421,750
Total current liabilities	<u>306,602</u>	<u>18,059</u>	<u>94,664</u>	<u>2,425</u>	<u>421,750</u>
LONG-TERM LIABILITIES:					
Notes payable	-	-	-	735,508	735,508
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>735,508</u>	<u>735,508</u>
NET ASSETS:					
Unrestricted	1,234,869	246,358	1,477,287	650,113	3,608,627
Total net assets	<u>1,234,869</u>	<u>246,358</u>	<u>1,477,287</u>	<u>650,113</u>	<u>3,608,627</u>
Total liabilities and net assets	<u>\$ 1,541,471</u>	<u>\$ 264,417</u>	<u>\$ 1,571,951</u>	<u>\$ 1,388,046</u>	<u>\$ 4,765,885</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					Total
	Caliber Beta	ChangeMakers	CMO	CEBRE	Eliminations	
	Academy	Academy				
REVENUES:						
State revenue:						
State aid	\$ 3,563,071	\$ -	\$ -	\$ -	\$ -	\$ 3,563,071
Other state revenue	738,326	-	-	-	-	738,326
Federal revenue:						
Grants and entitlements	1,067,591	98,753	-	-	-	1,166,344
Local revenue:						
In-lieu property tax revenue	1,405,412	-	-	-	-	1,405,412
Investment income	-	-	-	-	-	-
Other revenue	316,178	300,000	1,139,732	700,000	(495,312)	1,960,598
Total revenues	<u>7,090,578</u>	<u>398,753</u>	<u>1,139,732</u>	<u>700,000</u>	<u>(495,312)</u>	<u>8,833,751</u>
EXPENSES:						
Program services	5,961,996	101,797	-	49,887	-	6,113,680
Management and general	879,126	50,598	854,745	-	(495,312)	1,289,157
Total expenses	<u>6,841,122</u>	<u>152,395</u>	<u>854,745</u>	<u>49,887</u>	<u>(495,312)</u>	<u>7,402,837</u>
Change in unrestricted net assets	249,456	246,358	284,987	650,113	-	1,430,914
Beginning unrestricted net assets	985,413	-	1,192,300	-	-	2,177,713
Ending unrestricted net assets	<u>\$ 1,234,869</u>	<u>\$ 246,358</u>	<u>\$ 1,477,287</u>	<u>\$ 650,113</u>	<u>\$ -</u>	<u>\$ 3,608,627</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, 2016

	Caliber				Total
	Caliber Beta	ChangeMakers	CMO	CEBRE	
	Academy	Academy			
CASH FLOWS from OPERATING ACTIVITIES:					
Change in net assets	\$ 249,456	\$ 246,358	\$ 284,987	\$ 650,113	\$ 1,430,914
Adjustments to reconcile change in net assets to net cash flows from operating activities:					
Depreciation	4,054	-	-	-	4,054
Change in operating assets:					
Accounts receivable - federal and state	(669,278)	(98,753)	-	-	(768,031)
Accounts receivable - other	(42,577)	-	2,394	-	(40,183)
Prepaid expenses and other assets	57,103	(900)	980	96,129	153,312
Change in operating liabilities:					
Accounts payable and accrued liabilities	142,407	18,059	67,545	2,425	230,436
Net cash flows from operating activities	<u>(258,835)</u>	<u>164,764</u>	<u>355,906</u>	<u>748,667</u>	<u>1,010,502</u>
CASH FLOWS from INVESTING ACTIVITIES:					
Purchases of property, plant and equipment	<u>(12,161)</u>	<u>-</u>	<u>-</u>	<u>(650,000)</u>	<u>(662,161)</u>
Net cash flows from investing activities	<u>(12,161)</u>	<u>-</u>	<u>-</u>	<u>(650,000)</u>	<u>(662,161)</u>
CASH FLOWS from FINANCING ACTIVITIES:					
Proceeds from debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>585,508</u>	<u>585,508</u>
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>585,508</u>	<u>585,508</u>
Net change in cash and cash equivalents	(270,996)	164,764	355,906	684,175	933,849
Cash and cash equivalents at the beginning of the year	<u>717,278</u>	<u>-</u>	<u>1,212,089</u>	<u>49,900</u>	<u>1,979,267</u>
Cash and cash equivalents at the end of the year	<u>\$ 446,282</u>	<u>\$ 164,764</u>	<u>\$ 1,567,995</u>	<u>\$ 734,075</u>	<u>\$ 2,913,116</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,374</u>	<u>\$ 14,374</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, 2016

	Program Services	Management and General	Total Expenses
Caliber Schools:			
Salaries and wages	\$ 2,970,573	\$ 700,846	\$ 3,671,419
Pension expense	73,480	17,336	90,816
Other employee benefits	348,648	82,256	430,904
Payroll taxes	248,749	58,687	307,436
Management fees	-	50,836	50,836
Legal expenses	-	56,097	56,097
Accounting expenses	-	8,750	8,750
Instructional materials	492,705	-	492,705
Other fees for services	1,490,309	121,998	1,612,307
Office expenses	36,248	65,728	101,976
Printing and postage expenses	370	33,600	33,970
Information technology expenses	31,173	36,853	68,026
Occupancy expenses	208,390	3,214	211,604
Travel expenses	76,114	5,115	81,229
Conference and meeting expenses	33,540	-	33,540
Depreciation expense	4,054	-	4,054
Insurance expense	-	24,295	24,295
Other expenses	49,440	23,546	72,986
Subtotal	6,063,793	1,289,157	7,352,950
CEBRE:			
Legal expenses	15,688	-	15,688
Accounting expenses	2,850	-	2,850
Other fees for services	9,253	-	9,253
Interest expense	14,374	-	14,374
Insurance expense	4,800	-	4,800
Other expenses	2,922	-	2,922
Subtotal	49,887	-	49,887
Grand total	\$ 6,113,680	\$ 1,289,157	\$ 7,402,837

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, 2016

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 ChangeMakers Academy (CCMA), 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 – 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 consist of the following:

- 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.

CALIBER SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 – The School does not allow employees to carryover unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2016.

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 – 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.

Allocations Between Charter Schools and CMO – For the year ended June 30, 2016, the 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.

CALIBER SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Evaluation of Subsequent Events – The School has evaluated subsequent events through September 21, 2016, the date these financial statements were available to be issued.

NOTE 2: CONCENTRATION OF CREDIT RISK

The 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. 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

CEBRE entered into a \$25,000 promissory note with Markus Mularkey (Director of Operations – COO), a related third party. The note is non-interest bearing and matures on August 2017.

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

VVE entered into a \$585,000 construction bridge loan with Raza Development Fund Inc., an unrelated third party. The note bears an annual interest rate of 6% and matures 12 months after closing date. The amount drawn on this loan was \$560,508 at June 30, 2016. Management intends to refinance this loan.

NOTE 4: EMPLOYEE RETIREMENT

Defined Contribution Plan

The School offers an Internal Revenue Code Section 401(k) retirement plan to each of its qualifying employees. Employer matching contributions are made at the rate equal 3 percent of salary for each employee who is eligible for employer contributions. The amount of employer contributions for the year ended was \$90,816.

NOTE 5: LINE OF CREDIT

The School has a 1.2 million dollar revolving line of credit from Focus Business Bank at an approximately 3.25% interest rate. The balance was \$-0- at June 30, 2016.

NOTE 6: 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.

SUPPLEMENTARY INFORMATION

CALIBER SCHOOLS

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2016

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.

The School began serving students at Caliber ChangeMakers Academy in August 2016. Caliber ChangeMakers Academy (#1779) is sponsored by Vallejo City United School District. The current charter expires June 30, 2021.

CALIBER SCHOOLS

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (continued)
For the Year Ended June 30, 2016**

The Board of Directors and the Administrators as of the year ended June 30, 2016 were as follows:

BOARD OF DIRECTORS

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

ADMINISTRATORS

Ernest Peterson	Head of Schools
Rachael Weingarten	School Leader
Ashlee Gutierrez	School Leader
Markus Mullarkey	Chief Operating Officer

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

Caliber Beta Academy

	Instructional Minutes		Instructional Days	Status
	Requirement	Actual		
Kindergarten	36,000	71,050	179	In compliance
Grade 1	50,400	66,945	179	In compliance
Grade 2	50,400	68,520	179	In compliance
Grade 3	50,400	65,835	179	In compliance
Grade 4	54,000	66,390	179	In compliance
Grade 6	54,000	66,390	179	In compliance
Grade 7	54,000	66,390	179	In compliance

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

CALIBER SCHOOLS

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

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	350.73	351.22	350.14	350.58
Grades 4 & 6	142.09	142.43	142.05	142.35
Grade 7	<u>75.15</u>	<u>75.23</u>	<u>74.71</u>	<u>74.87</u>
ADA Totals	<u>567.97</u>	<u>568.88</u>	<u>566.90</u>	<u>567.80</u>

See independent 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, 2016

June 30, 2016 Annual Financial Report	
Fund Balances (Net Assets)	\$ 1,219,253
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Cash and cash equivalents	32,864
Accounts receivable - federal and state	15,302
Prepaid expenses and other assets	(54,649)
Accounts payable and accrued liabilities	<u>22,099</u>
Net Adjustments and Reclassifications	<u>15,616</u>
June 30, 2016 Audited Financial Statement	
Fund Balances (Net Assets)	<u><u>\$ 1,234,869</u></u>

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

CALIBER SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
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	\$ 191,912
Title II, Part A, Teacher Quality	84.367	14341	2,954
Title III	84.365	N/A	23,372
Special Ed: IDEA	84.027	13379	102,840
Public Charter Schools Grant Program	84.282A	14941	<u>268,301</u>
<i>Total U.S Department of Education</i>			<u>589,379</u>
<i>U.S. Department of Agriculture:</i>			
Pass Through Program From California Department of Education:			
Child Nutrition Programs	10.555	N/A	<u>576,965</u>
<i>Total U.S Department of Agriculture</i>			<u>576,965</u>
Total Federal Expenditures			<u><u>\$ 1,166,344</u></u>

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

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

CALIBER SCHOOLS

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 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

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented on the accrual basis of accounting and in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

Indirect Cost Rate

The School has elected to use a rate other than the 10-percent de minimus indirect Cost rate allowed under Uniform Guidance.

**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 (the School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2016, 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 21, 2016.

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 21, 2016



Vicenti, Lloyd & Stutzman, CPAs

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Directors
Caliber Schools
Richmond, CA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Caliber Schools (the School) with the types of compliance requirements described *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The 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 federal statutes, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 compliance for each major federal program. However, our audit does not provide a legal determination of the 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, 2016.

**AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, 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 the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
September 21, 2016



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
Caliber Schools
Richmond, CA

We have audited Caliber Schools’s (the School) compliance with the types of compliance requirements described in the *2015-2016 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, 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 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 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	Yes
California Clean Energy Jobs Act	Not applicable
After School Education and Safety Program	Yes
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

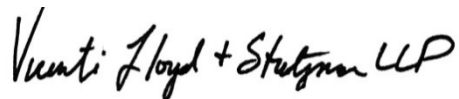
¹ ADA was under the threshold for compliance testing.

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 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
September 21, 2016

CALIBER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of Major Federal Programs:

CFDA Number(s) Name of Federal Program or Cluster

10.555 Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

CALIBER SCHOOLS
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 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, 2016.

CALIBER SCHOOLS

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

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