

INLAND LEADERS CHARTER SCHOOLS

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2017**

Operating:

Inland Leaders Charter School
Desert Leaders Charter School (Closed as of June 30, 2017)

INLAND LEADERS CHARTER SCHOOLS

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June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Inland Leaders Charter Schools
Yucaipa, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Inland Leaders Charter Schools (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2017, 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.

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, 2017, 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 supplementary schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, CA
October 26, 2017

INLAND LEADERS CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 5,323,039
Investments	502,691
Accounts receivable - federal and state	<u>1,061,790</u>
Total current assets	<u>6,887,520</u>

LONG-TERM ASSETS:

Property, plant and equipment, net	<u>382,303</u>
Total assets	<u><u>\$ 7,269,823</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ <u>155,440</u>
Total current liabilities	<u>155,440</u>

NET ASSETS:

Unrestricted	6,824,672
Temporarily restricted	<u>289,711</u>
Total net assets	<u>7,114,383</u>
Total liabilities and net assets	<u><u>\$ 7,269,823</u></u>

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

INLAND LEADERS CHARTER SCHOOLS

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2017

	Inland Leaders	Desert Leaders	
	<u>Charter School</u>	<u>Charter School</u>	<u>Total</u>
UNRESTRICTED NET ASSETS			
REVENUES:			
State revenue:			
State aid	\$ 5,997,002	\$ -	\$ 5,997,002
Other state revenue	986,821		986,821
Federal revenue:			
Grants and entitlements	156,018	-	156,018
Local revenue:			
In-lieu property tax revenue	1,029,070	-	1,029,070
Investment income	6,320	-	6,320
Other revenue	213,665	-	213,665
Net assets released from restriction	26,000	-	26,000
Total revenues	<u>8,414,896</u>	<u>-</u>	<u>8,414,896</u>
EXPENSES:			
Program services	6,394,841	59,372	6,454,213
Management and general	814,329	39,124	853,453
Fundraising	11,793	-	11,793
Total expenses	<u>7,220,963</u>	<u>98,496</u>	<u>7,319,459</u>
Other Financing Sources (Uses)			
Write-off of DLCS start-up costs	(98,496)	98,496	-
Change in unrestricted net assets	<u>1,095,437</u>	<u>-</u>	<u>1,095,437</u>
TEMPORARILY RESTRICTED NET ASSETS			
Other state revenue	211,195	-	211,195
Net assets released from restriction	(26,000)	-	(26,000)
Change in temporarily restricted net assets	<u>185,195</u>	<u>-</u>	<u>185,195</u>
Total change in net assets	1,280,632	-	1,280,632
Beginning net assets	<u>5,833,751</u>	<u>-</u>	<u>5,833,751</u>
Ending net assets	<u><u>\$ 7,114,383</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,114,383</u></u>

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

INLAND LEADERS CHARTER SCHOOLS

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

CASH FLOWS from OPERATING ACTIVITIES:

Change in net assets	\$ 1,280,632
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	12,894
Unrealized loss on investments	3,117
Change in operating assets:	
Accounts receivable - federal and state	(15,355)
Change in operating liabilities:	
Accounts payable and accrued liabilities	<u>2,504</u>
Net cash flows from operating activities	<u>1,283,792</u>

CASH FLOWS from INVESTING ACTIVITIES:

Purchases of property, plant and equipment	(105,138)
Proceeds from sale of investments	392,000
Purchase of investments	<u>(300,596)</u>
Net cash flows from investing activities	<u>(13,734)</u>
Net change in cash and cash equivalents	1,270,058
Cash and cash equivalents at the beginning of the year	<u>4,052,981</u>
Cash and cash equivalents at the end of the year	<u>\$ 5,323,039</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest during the fiscal year	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.

INLAND LEADERS CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total Expenses
Inland Leaders Charter School:				
Salaries and wages	\$ 4,089,846	\$ 494,403	\$ -	\$ 4,584,249
Pension expense	393,041	48,578	-	441,619
Other employee benefits	442,419	54,681	-	497,100
Payroll taxes	113,520	14,031	-	127,551
Management fees	195,368	16,452	-	211,820
Legal expenses	-	215	-	215
Accounting expenses	-	10,288	-	10,288
Instructional materials	218,231	709	-	218,940
Other fees for services	81,416	81,794	-	163,210
Advertising and promotion expenses	-	3,391	-	3,391
Office expenses	27,473	26,051	-	53,524
Printing and postage expenses	14,312	237	-	14,549
Information technology expenses	76,591	204	-	76,795
Occupancy expenses	316,277	23,324	-	339,601
Travel expenses	17,700	-	-	17,700
Conference and meeting expenses	17,014	-	-	17,014
Depreciation expense	11,893	1,001	-	12,894
Insurance expense	40,611	-	-	40,611
Student food expense	53,474	-	-	53,474
Other expenses	285,655	38,970	11,793	336,418
Inland Leaders Charter School total	<u>\$ 6,394,841</u>	<u>\$ 814,329</u>	<u>\$ 11,793</u>	<u>\$ 7,220,963</u>
Desert Leaders Charter School:				
Salaries and wages	\$ 12,606	\$ 6,128	\$ -	\$ 18,734
Pension expense	967	-	-	967
Other employee benefits	-	1,168	-	1,168
Payroll taxes	381	469	-	850
Legal expenses	-	14,731	-	14,731
Accounting expenses	-	1,000	-	1,000
Other fees for services	-	1,913	-	1,913
Advertising and promotion expenses	-	8,870	-	8,870
Office expenses	377	337	-	714
Printing and postage expenses	129	10	-	139
Occupancy expenses	40,504	3,413	-	43,917
Interest expense	-	334	-	334
Other expenses	4,408	751	-	5,159
Desert Leaders Charter School total	<u>\$ 59,372</u>	<u>\$ 39,124</u>	<u>\$ -</u>	<u>\$ 98,496</u>
Total functional expenses	<u>\$ 6,454,213</u>	<u>\$ 853,453</u>	<u>\$ 11,793</u>	<u>\$ 7,319,459</u>

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

INLAND LEADERS CHARTER SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The School commenced operations in the 2007-2008 school year and currently serves approximately 900 students in kindergarten through grade 8.

During 2016-2017 the School commenced activities to open a new charter school but was unable to feasibly complete this project, see Note 8.

The mission of the School is to provide a state standards aligned curriculum aimed to serve a population of students who were formerly served primarily through home school and private schools, in a small site-based environment using a creative schedule, with an emphasis on family and student leadership training.

The School may be revoked by the Yucaipa-Calimesa Joint 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.

INLAND LEADERS CHARTER SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 currently has \$289,711 in temporarily restricted net assets consisting of Clean Energy and Educator Effectiveness Funding.
- 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, 2017. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

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.

Investments – Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities if they are material.

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.

INLAND LEADERS CHARTER SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 October 26, 2017, 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.

INLAND LEADERS CHARTER SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and leasehold equipment over \$15,000 and for equipment in excess of \$5,000. Depreciation expense was \$12,894 for the year ended June 30, 2017.

The components of property, plant and equipment as of June 30, 2017 are as follows:

Land	\$ 289,295
Leasehold improvements	184,293
	<u>473,588</u>
Less accumulated depreciation	(91,285)
Property, plant and equipment, net	<u><u>\$ 382,303</u></u>

NOTE 4: INVESTMENTS

Investments at June 30, 2017, are stated at fair market value and consist of the following:

Certificates of Deposit	\$ 502,691
Total	<u><u>\$ 502,691</u></u>

In accordance with FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 - quoted prices in an active market for identical assets.

Level 2 - quoted prices for similar assets and market-corroborated inputs.

Level 3 - the School's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

The School's investments are classified as Level 1 in the fair value hierarchy because of the School's ability to obtain quoted prices and redeem its interest on a daily basis.

Investment activity for the year ended June 30, 2017, consisted of the following:

Interest and Dividends	\$ 9,437
Unrealized loss on investment	<u>(3,117)</u>
Total investment income (loss)	<u><u>\$ 6,320</u></u>

INLAND LEADERS CHARTER SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plans

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2016, total STRS plan net assets are \$189 billion, the total actuarial present value of accumulated plan benefits is \$333 billion, contributions from all employers ion, and the plan is 63.7% funded. The School did not contribute more than 5% of the total contributions to the plan.

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

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

INLAND LEADERS CHARTER SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5: EMPLOYEE RETIREMENT

The School's contributions to STRS for the past three years are as follows:

Year Ended <u>June 30,</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2015	\$ 261,028	100%
2016	\$ 347,923	100%
2017	\$ 441,619	100%

NOTE 6: OPERATING LEASES

The School leases its facilities and equipment under several lease agreements where the last lease expires in July of 2021. Lease expense under these agreements for the year ended June 30, 2017 was \$122,441.

Future minimum lease payments are as follows:

Year Ended <u>June 30,</u>	
2018	\$ 85,829
2019	81,293
2020	71,169
2021	18,144
2022	1,512
Total	<u>\$ 257,947</u>

NOTE 7: 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.

NOTE 8: DESERT LEADERS CHARTER SCHOOL

The School submitted and was approved for a second charter for Desert Leaders Charter School in March 2017. Subsequently a decision was made not to move forward with the opening of this school and all costs associated with the startup were written off in the current year.

SUPPLEMENTARY INFORMATION

INLAND LEADERS CHARTER SCHOOLS

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2017

The School established Inland Leaders Charter Schools in August 2007, when it was granted its charter through Yucaipa-Calimesa Joint Unified School District (the District) and its charter school status from the California Department of Education. The charters may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Active:

Inland Leaders Charter Schools – Charter #0889

Closed:

Desert Leaders Charter School – Charter #1852

A second charter was established on March 8, 2017 for Desert Leaders Charter School which was granted its charter through Riverside County Office of Education and its charter school status from the California Department of Education. This charter was subsequently closed and no school operations took place.

The Board of Directors and the Administrator as of the year ended June 30, 2017 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (4 year terms)</u>
Robert Stranger	Chairman	June 30, 2021
David Massongill	Treasurer	June 30, 2021
Bonnie Mitchell	Secretary	June 30, 2021

ADMINISTRATOR

Michael Gordon	Executive Director
Tracy Burson	Business Manager

INLAND LEADERS CHARTER SCHOOLS

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2017**

	Instructional Minutes		Instructional Days	Status
	Requirement	Actual		
T-Kindergarten	36,000	46,800	180	In compliance
Kindergarten	36,000	48,600	180	In compliance
Grade 1	50,400	51,300	180	In compliance
Grade 2	50,400	51,300	180	In compliance
Grade 3	50,400	55,260	180	In compliance
Grade 4	54,000	56,880	180	In compliance
Grade 5	54,000	56,880	180	In compliance
Grade 6	54,000	56,880	180	In compliance
Grade 7	54,000	55,080	180	In compliance
Grade 8	54,000	55,080	180	In compliance

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

INLAND LEADERS CHARTER SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2017

	Second Period Report			Annual Report		
	Classroom	Independent		Classroom	Independent	
	Based	Study		Based	Study	
Grades TK / K-3	384.12	30.39	414.51	384.36	31.46	415.82
Grades 4-6	303.55	8.77	312.32	302.91	9.27	312.18
Grades 7-8	193.60	7.70	201.30	191.87	8.22	200.09
ADA Totals	881.27	46.86	928.13	879.14	48.95	928.09

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

INLAND LEADERS CHARTER SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

There were no differences between the unrestricted net assets reported on the June 30, 2017 Annual Financial Report and the audited fund balances (net assets).

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

INLAND LEADERS CHARTER SCHOOLS
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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 California 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.



CliftonLarsonAllen LLP
CLAAconnect.com

**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
Inland Leaders Charter Schools
Yucaipa, 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 Inland Leaders Charter Schools (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2017, 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 October 26, 2017.

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.



CliftonLarsonAllen LLP

Glendora, CA

October 26, 2017

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
Inland Leaders Charter Schools
Yucaipa, CA

We have audited Inland Leaders Charter Schools's (the School) compliance with the types of compliance requirements described in the *2016-2017 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, 2017. 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 *2016-2017 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	No ¹
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	Yes
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Non applicable

¹ The School had no expenditures of California Clean Energy Jobs Act funding during the year ended June 30, 2017.

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, 2017.

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 *2016-2017 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.



CliftonLarsonAllen LLP

Glendora, CA

October 26, 2017

INLAND LEADERS CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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 Programs
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 or state awards for June 30, 2017.

INLAND LEADERS CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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