

**URBAN CHARTER
SCHOOLS COLLECTIVE**

**YAV PEM SUAB ACADEMY
CHARTER SCHOOL # 1186**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2018 AND 2017**



Gilbert Associates, Inc.
CPAs and Advisors

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URBAN CHARTER SCHOOLS COLLECTIVE

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Urban Charter Schools Collective
Sacramento, California**

Report on the Financial Statements

We have audited the accompanying financial statements of Urban Charter Schools Collective (UCSC), a California non-profit public benefit corporation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UCSC as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Information, as listed in the Table of Contents, as required by the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018, on our consideration of UCSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCSC's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

October 18, 2018

URBAN CHARTER SCHOOLS COLLECTIVE

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,221,837	\$ 1,760,488
Due from state and local governments	487,312	522,628
Other accounts receivable		573
Prepaid expenses and other assets	<u>49,271</u>	<u>36,536</u>
Total current assets	2,758,420	2,320,225
PROPERTY AND EQUIPMENT - Net	<u>13,785</u>	<u>27,379</u>
TOTAL ASSETS	<u>\$ 2,772,205</u>	<u>\$ 2,347,604</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 329,284	\$ 197,157
Accrued expenses	5,352	1,424
Funds held for others	2,640	7,481
Deferred revenue	11,859	42,485
Capital lease, current portion	<u>7,914</u>	<u>7,029</u>
Total current liabilities	<u>357,049</u>	<u>255,576</u>
LONG TERM LIABILITIES:		
Capital lease	<u>703</u>	<u>8,617</u>
TOTAL LIABILITIES	<u>357,752</u>	<u>264,193</u>
NET ASSETS:		
Unrestricted	2,152,602	1,878,066
Temporarily restricted	<u>261,851</u>	<u>205,345</u>
Total net assets	<u>2,414,453</u>	<u>2,083,411</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,772,205</u>	<u>\$ 2,347,604</u>

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

URBAN CHARTER SCHOOLS COLLECTIVE

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
REVENUES:		
Federal revenue	\$ 200,516	\$ 132,383
State revenue:		
State aid portion of general purpose funding	2,633,925	2,593,624
Lottery revenue	67,529	62,796
All other	71,974	93,981
Local revenue:		
Cash in-lieu of property taxes	884,656	809,836
Contributions and other local revenues	35,363	39,528
Net assets released from restrictions	<u>623,940</u>	<u>604,097</u>
Total revenues	<u>4,517,903</u>	<u>4,336,245</u>
EXPENSES:		
Program expenses:		
Educational programs	3,869,533	3,543,614
Supporting services:		
Management and general	<u>373,834</u>	<u>357,331</u>
Total expenses	<u>4,243,367</u>	<u>3,900,945</u>
INCREASE IN UNRESTRICTED NET ASSETS	274,536	435,300
TEMPORARILY RESTRICTED NET ASSETS:		
EPA revenue	600,726	564,927
Other state revenue	55,375	
Lottery revenue	24,345	19,636
Net assets released from restrictions	<u>(623,940)</u>	<u>(604,097)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>56,506</u>	<u>(19,534)</u>
INCREASE IN NET ASSETS	331,042	415,766
NET ASSETS, Beginning of year	<u>2,083,411</u>	<u>1,667,645</u>
NET ASSETS, End of year	<u>\$ 2,414,453</u>	<u>\$ 2,083,411</u>

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

URBAN CHARTER SCHOOLS COLLECTIVE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Urban Charter Schools Collective (UCSC) was incorporated October 29, 2009 and is organized to manage, operate, guide, direct, and promote the public charter school, Yav Pem Suab Academy – Preparing for the Future Charter (YPSA). The charter school number is 1186.

UCSC is funded principally through State of California public education monies received through the California Department of Education and the Sacramento City Unified School District (SCUSD), the Sponsoring District. A Board of Directors, consisting of seven members governs UCSC. As of June 30, 2018, there were three vacant board seats and one vacant sponsoring district seat.

SCUSD approved the charter for YPSA for a five-year term through June 30, 2020. Along with the approval of the Charter, UCSC signed a Memorandum of Understanding (MOU) with SCUSD through June 30, 2020.

The charter may be revoked by SCUSD 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.

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. UCSC reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. UCSC had no permanently restricted net assets at June 30, 2018 and 2017.

Revenue recognition – Contributions and grants are recognized when the donor/grantor makes an unconditional promise to give to UCSC or when received. Donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “Net Assets Released from Restrictions.” Government grants are recognized as revenue in accordance with the terms of the applicable grant agreement, which is generally upon the incurrence of expenditures related to the required services.

Property and equipment purchases greater than or equal to \$1,000 are capitalized at cost and depreciated using the straight-line method over an estimated useful life of one and a half to three years.

Funds held for others – UCSC has an Associated Student Body (ASB) which consists of various clubs and student groups. Funds raised by the various student groups are held in a separate bank account by UCSC. UCSC provides oversight and monitors the activities in these groups. The cash balance on the Statements of Financial Position includes \$2,640 and \$7,481 at June 30, 2018 and 2017, respectively, that was held on behalf of the ASB. Revenues and expenses of the ASB are generated separately from UCSC and therefore are not included on UCSC’s Statements of Activities.

Income taxes – UCSC is publicly supported and has received tax-exempt status under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. There is no unrelated taxable income and, accordingly, there is no provision for income taxes in these financial statements.

URBAN CHARTER SCHOOLS COLLECTIVE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

Functional allocation of expenses – The cost of providing the school program and other activities has been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on employees' time incurred and management's estimate of the usage of resources.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events have been reviewed through October 18, 2018, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2018 that require recognition or disclosure in such financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 13,539	\$ 13,539
Equipment	77,816	77,816
Less accumulated depreciation	<u>(77,570)</u>	<u>(63,976)</u>
Property and equipment, net	<u>\$ 13,785</u>	<u>\$ 27,379</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$13,594 and \$13,593, respectively.

UCSC has \$31,970 in equipment that was acquired through a capital lease during 2015 (see Note 5). The leased assets are being depreciated over the term of the lease and depreciation expense for the leased property is included in the total depreciation expense. Accumulated depreciation on the leased equipment as of June 30, 2018 and 2017 was \$25,576 and \$19,182, respectively.

3. AGREEMENTS

UCSC has a Facility Use Agreement through July 31, 2019. To assist UCSC in meeting its goals and objectives, SCUSD agreed to provide shared use of the existing Lisbon Elementary facilities and on-site equipment to UCSC for an annual pro-rata cost of the facility. UCSC uses approximately 46,175 square feet and the agreement estimates the cost to be \$2.10 per square foot. SCUSD adjusts this cost each year according to Prop 39 regulations and reflects the actual prior year district-wide square foots cost per ADA. UCSC paid \$1.88 per square foot at a cost of \$86,659 and \$1.91 per square foot at a cost of \$83,595 for the years ended June 30, 2018 and 2017, respectively.

UCSC has a MOU with SCUSD through June 30, 2020. As stated in the Education Code 47613, up to 1% of all local control funding formula can be paid to the Sponsoring District for the actual expenses incurred in monitoring and overseeing UCSC. Fees of \$41,155 and \$39,611 were accrued as of June 30, 2018 and 2017, respectively, in accordance with this agreement. The MOU also states

URBAN CHARTER SCHOOLS COLLECTIVE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

that SCUSD shall serve as the LEA for special education purposes for UCSC, therefore SCUSD will retain all state and federal special education funding allocated for UCSC's students through the SELPA. In addition, UCSC paid SCUSD a pro-rata share of unfunded special education costs, or encroachment. UCSC was charged \$407,875 and \$352,535 in special education encroachment costs for the years ended June 30, 2018 and 2017, respectively.

4. OPERATING LEASE COMMITMENT

UCSC leases equipment under a non-cancelable operating lease through July 2023. Rental expense for each of the years ended June 30, 2018 and 2017 was \$1,824.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 1,945
2020	1,956
2021	1,956
2022	1,956
2023	1,956
Thereafter	<u>163</u>
Total	<u>\$ 9,932</u>

5. CAPITAL LEASE

UCSC leases communication equipment under a capital lease agreement, effective July 2014 through July 2019. As part of a service agreement with their communications provider, payments on this lease are made by the service provider on behalf of UCSC, contingent upon UCSC's continued use of the provider's services. Monthly lease and accrued interest payments made on UCSC's behalf are recognized as contribution revenue. Contributions of \$8,518 were recognized as revenue for both years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 8,518
2020	<u>710</u>
Total	9,228
Less interest	<u>(611)</u>
Present value	8,617
Less current portion	<u>(7,914)</u>
Long-term portion	<u>\$ 703</u>

URBAN CHARTER SCHOOLS COLLECTIVE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

6. EMPLOYEE RETIREMENT

Qualified certificated employees are covered under the following defined benefit pension plan maintained by the State of California.

Plan name:	California State Teachers' Retirement System (CalSTRS)
Plan's EIN:	94-6291617
Actuarial value of assets:	\$179,689
Actuarial accrued liability:	\$286,950
Funded status:	50-65% funded

The actuarial value of assets and accrued liability are expressed in millions and are valued as of June 30, 2017, the most recent actuarial valuation date.

Plan Description

The Organization participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.10% of covered payroll over the seven-year period. Active plan members are required to contribute between 9.205% or 10.25% of their salary. The required employer contribution rate for fiscal years 2018 and 2017 were 14.43% and 12.58% of annual payroll, respectively. UCSC's contributions to CalSTRS for the years ended June 30, 2018 and 2017, were \$213,238 and \$176,085, respectively, and equaled 100% of the required contributions for the periods.

URBAN CHARTER SCHOOLS COLLECTIVE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

7. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
California Clean Energy Jobs Act Funds	\$ 250,574	\$ 195,587
California Lottery	11,277	
Educator Effectiveness	<u> </u>	<u>9,758</u>
Total	<u>\$ 261,851</u>	<u>\$ 205,345</u>

8. CONTINGENCIES

UCSC 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 reimbursement, if required, would not be material.

9. CONCENTRATION

UCSC minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. UCSC has not experienced any losses in such accounts and management believes UCSC is not exposed to any significant credit risk related to cash.

10. RELATED PARTY TRANSACTIONS

In 2017, two members of the Board resigned in order to provide consulting services to UCSC. The members resigned from the Board positions prior to providing the services and upon completion of the consulting project in 2018, one of the members rejoined the Board. Payments to the consultants amounted to \$96,723 and \$27,161, in the 2018 and 2017 fiscal years, respectively, which is included in services and other operating expenses.

SUPPLEMENTARY INFORMATION

URBAN CHARTER SCHOOLS COLLECTIVE

SCHEDULES OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2018 AND 2017

	<u>Program</u>	<u>Supporting</u>	<u>Total</u>
<u>2018</u>	<u>expenses</u>	<u>services</u>	<u>expenses</u>
Certificated salaries	\$ 1,319,527	\$ 152,875	\$ 1,472,402
Classified salaries	684,878	130,956	815,834
Employee benefits	513,454	56,258	569,712
Books and supplies	95,338	5,000	100,338
Services and other operating expenses	1,183,201	28,745	1,211,946
Capital outlay	59,541		59,541
Depreciation	<u>13,594</u>	<u></u>	<u>13,594</u>
Total expenses	<u>\$ 3,869,533</u>	<u>\$ 373,834</u>	<u>\$ 4,243,367</u>

	<u>Program</u>	<u>Supporting</u>	<u>Total</u>
<u>2017</u>	<u>expenses</u>	<u>services</u>	<u>expenses</u>
Certificated salaries	\$ 1,272,830	\$ 150,000	\$ 1,422,830
Classified salaries	668,009	125,501	793,510
Employee benefits	430,614	60,451	491,065
Books and supplies	109,457	6,610	116,067
Services and other operating expenses	1,028,043	14,769	1,042,812
Capital outlay	21,068		21,068
Depreciation	<u>13,593</u>	<u></u>	<u>13,593</u>
Total expenses	<u>\$ 3,543,614</u>	<u>\$ 357,331</u>	<u>\$ 3,900,945</u>

URBAN CHARTER SCHOOLS COLLECTIVE

ORGANIZATION, GOVERNING BOARD, AND ADMINISTRATION YEAR ENDED JUNE 30, 2018

ORGANIZATION

Urban Charter Schools Collective (UCSC) was incorporated October 29, 2009, and is organized to manage, operate, guide, direct, and promote Yav Pem Suab Academy - Preparing for the Future Charter, a California public charter school. Yav Pem Suab Academy was granted a charter by Sacramento City Unified School District through June 30, 2020.

UCSC supervises the activities and financial affairs of the charter school to ensure the requirements of the California Education Code are met.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Miles Myles	President	2020
Dennis Mah	Board Treasurer	2021
Yong Lor	Board Secretary	2021
Guy Ollison	Board Member	2021

ADMINISTRATION

Lee Yang
Superintendent

Megan Lao
Chief Financial Officer

URBAN CHARTER SCHOOLS COLLECTIVE

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018**

Classroom-based ADA:	<u>Second Period Report</u>	<u>Annual Report</u>
Yav Pem Suab Academy		
Grades K through 3	249.29	249.21
Grades 4 through 6	<u>200.18</u>	<u>200.02</u>
ADA Totals	<u><u>449.47</u></u>	<u><u>449.23</u></u>

URBAN CHARTER SCHOOLS COLLECTIVE

SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2018

Effective January 1, 2000, California Education Code Section 47612.5 requires classroom-based charter schools to offer a minimum number of minutes of instruction. This schedule documents the compliance of Yav Pem Suab Academy's campus with these requirements.

	Instructional Days – Traditional Calendar	2017-18 Minutes		
		Requirement	Offered	Status
Kindergarten	175 days	36,000	54,250	In Compliance
Grades 1 through 3	175 days	50,400	81,375	In Compliance
Grades 4 through 6	175 days	54,000	81,375	In Compliance

**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**

Independent Auditor's Report

**Board of Directors
Urban Charter Schools Collective
Sacramento, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Urban Charter Schools Collective (UCSC), a non-profit public benefit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UCSC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UCSC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCSC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

October 18, 2018

**REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN
ACCORDANCE WITH 2017-18 GUIDE FOR ANNUAL AUDITS OF
K-12 LOCAL EDUCATION AGENCIES AND
STATE COMPLIANCE REPORTING**

Independent Auditor's Report

**Board of Directors
Urban Charter Schools Collective
Sacramento, California**

Report on State Compliance

We have audited Urban Charter Schools Collective's (UCSC) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance* applicable to UCSC's programs identified in the below schedule for the school year ended June 30, 2018.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of UCSC's management.

Auditor's Responsibility

Our responsibility is to express an opinion on UCSC's compliance based on our audit.

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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, published by the Education Audit Appeals Panel. Those standards and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance* 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 material effect on the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about UCSC's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination on UCSC's compliance with those requirements.

In connection with the requirements referred to above, we selected and tested transactions and records to determine UCSC’s compliance with the applicable programs identified below:

Compliance Requirements	Procedures Performed
SCHOOL DISTRICTS, COUNTY OFFICE OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non-Classroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
Determination of Funding for Non-Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Opinion on State Compliance

In our opinion, UCSC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the State programs for the school year ended June 30, 2018.

Gilbert Associates, Inc.

**GILBERT ASSOCIATES, INC.
Sacramento, California**

October 18, 2018

FINDINGS AND RECOMMENDATIONS

URBAN CHARTER SCHOOLS COLLECTIVE

FINDINGS AND RECOMMENDATIONS YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

State Compliance:

Internal control over state programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported	
Any audit findings disclosed that are required to be reported in accordance with Audits of K-12 Local Education Agencies?	<u> </u> Yes	<u> X </u> No	
Type of auditor's report issued on compliance for state programs:	Unmodified		

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended June 30, 2018.

STATE COMPLIANCE FINDINGS

There were no state compliance findings for the year ended June 30, 2018.

STATUS OF PRIOR YEAR FINDINGS

There were no findings for the year ended June 30, 2017.