
EAST OAKLAND LEADERSHIP ACADEMY
OAKLAND, CALIFORNIA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

EAST OAKLAND LEADERSHIP ACADEMY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Oakland Leadership Academy
Oakland, California

We have audited the accompanying statement of financial position of East Oakland Leadership Academy as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of East Oakland Leadership Academy's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Oakland Leadership Academy as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 on our consideration of East Oakland Leadership Academy'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* and should be considered in assessing the results of our audit.

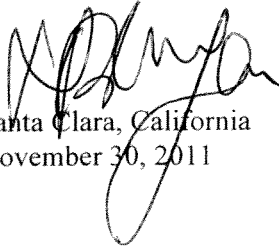
Our testing was conducted for the purpose of forming an opinion on the financial statements of East Oakland Leadership Academy taken as a whole. The Supplementary Information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial

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statements of East Oakland Leadership Academy. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Santa Clara, California
November 30, 2011

EAST OAKLAND LEADERSHIP ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Current assets:

Cash (Note 2)	\$	95,656
Accounts receivable (Note 3)		213,575
Other receivable (Note 8)		408,264

Total current assets		717,495
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Property and equipment - net (Note 4)		148,092
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Rent deposit		25,000
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Total assets	\$	890,587
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$	16,380
Deferred revenue		14,820

Total current liabilities		31,200
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Total liabilities		31,200
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Net assets:

Unrestricted		859,387
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Total net assets		859,387
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Total liabilities and net assets	\$	890,587
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The accompanying notes are an integral part of these financial statements.

**EAST OAKLAND LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
General purpose entitlement	\$ 574,424	\$	\$ 574,424
Other state revenues	648,313		648,313
Other federal revenues	85,309		85,309
Other income	11,379		11,379
	<hr/>	<hr/>	<hr/>
Total support and revenues	1,319,425		1,319,425
Expenses			
Program service expense			
Academic programs	829,498		829,498
Supporting service expense			
General and administrative	300,937		300,937
	<hr/>	<hr/>	<hr/>
Total expenses (Note 9)	1,130,435		1,130,435
Change in net assets	188,990		188,990
Net assets, beginning of year	<hr/>	<hr/>	<hr/>
	670,397		670,397
Net assets, end of year	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 859,387	\$	\$ 859,387

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

**EAST OAKLAND LEADERSHIP ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities:	
Change in net assets	\$ 188,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Add: Depreciation	54,871
Decrease (increase) in:	
Accounts receivable	155,857
Other receivable	(93,742)
Increase (decrease) in:	
Accounts payable	(129,243)
Deferred revenue	14,820
Net cash provided by operating activities	<u>191,553</u>
Cash flows from investing activities:	
Purchase of property	<u>(148,091)</u>
Net cash used by investing activities	(148,091)
Net increase in cash	<u>43,462</u>
Cash, beginning of year	<u>52,194</u>
Cash, end of year	<u>\$ 95,656</u>

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

EAST OAKLAND LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT POLICIES

Nature of Activities

The East Oakland Leadership Academy – Elementary and Middle School (the Charter School) was organized to provide parents with a choice within the public school system so families and teachers can create and maintain an educational community of excellence. East Oakland Leadership Academy – Elementary and Middle School with charter number 499 is one of the education arms of the non-profit East Oakland Leadership Academy, Inc. that is organized under the Nonprofit Public Benefit Corporation Law. The Charter School is operating under a charter granted by the Oakland Unified School District that expires on June 30, 2013.

Description of Reporting Entity

The accompanying financial statements present only the financial activities of the East Oakland Leadership Academy – Elementary and Middle School and are not intended to present fairly the financial position and the results of operations of the nonprofit organization East Oakland Leadership Academy, Inc. as a whole in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Charter School prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets represent funds, which are fully available, at the discretion of management and the Board of Directors, for the Charter School to utilize in any of its programs or operations.

Temporarily restricted net assets are comprised of funds, which are restricted by donors for specific purposes or time periods.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Charter School. There were no permanently restricted net assets during the year.

Revenue Recognition

State Apportionment

The Charter School's support is derived primarily from the State of California's public education monies received through the OUSD and are recognized as revenues by the School based on the average daily attendance (ADA) of students

State and Federal Grants

The Charter School also receives other educational government grants. Revenues are recognized when expenditures have been incurred in accordance with the grant agreement.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 and changes in net assets, as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Property and Equipment

The Charter School capitalizes assets costing \$500 or more when purchased or donated. Fixed assets are recorded at cost when they are purchased. Items received by donation, gift or bequests are stated at market value at the date of donation. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the individual assets. The lives of the assets range

from 5 years to 7 years. Repairs and maintenance are charged to operations and major improvements are capitalized.

Income Tax Status

The Internal Revenue Service and the Franchise Tax Board have recognized the Charter School as exempt from federal and state income taxes under Section 501(c) (3) and the corresponding California Law.

NOTE 2: CASH

Cash balances are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) for each account. At June 30, 2011 the Charter School had before reconciling items the following bank balances:

Bank of America - Checking	\$ 97,620
Bank of America - Savings	33,164

All cash held by the financial institutions is fully insured or collateralized except those which exceeds the maximum insured levels of FDIC.

NOTE 3: ACCOUNTS RECEIVABLE

The accounts receivable at June 30, 2011 consists of receivable from Oakland Unified School District in the amount of \$213,575.

NOTE 4: PROPERTY AND EQUIPMENT

A summary of Property and Equipment at June 30, 2011 is as follows:

Leasehold improvement	\$ 389,754
Equipment	<u>51,418</u>
	441,172
Less: Accumulated Depreciation	<u>(293,080)</u>
	<u>\$ 148,092</u>

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Charter 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 expenditure disallowances under terms of grants, the management does not anticipate any material questioned costs for the contracts and grants administered during the year.

NOTE 6: OPERATING LEASES

The Charter school leases facilities under non-cancelable operating leases expiring through 2017.

Minimum future rental payments under non-cancelable operating lease having remaining terms in excess of one year as of June 30, 2011, for each of the next five years and in the aggregate are:

Year Ended June 30:

2012	\$	175,864
2013		184,921
2014		193,979
2015		203,036
Thereafter		<u>414,131</u>
	\$	<u>1,171,931</u>

NOTE 7: RISKS AND UNCERTAINTY

The Charter school is funded principally through the State of California's public education monies, the California Department of Education and Oakland Unified School District, and various government agency grants. The charter may be revoked by the State of California for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law. Any decreases in the state's allocations for the School's programs could have a material adverse effect on the charter school's business, financial condition and results of operations.

NOTE 8: OTHER RECEIVABLE

The Charter school extended loans to the executive director during the year. As of June 30, 2011, the balance is \$355,630. The loans bear no interest and due upon demand.

The Charter school extended loan to East Oakland Leadership Academy High amounting to \$52,634. The loan bears no interest and due upon demand.

NOTE 9: TOTAL EXPENSES

The total expenses incurred for the year are detailed as follows:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries	\$ 345,334	\$ 128,464	\$ 473,798
Employee Benefits	45,090	16,427	61,517
Books and supplies	46,437	13,194	59,631
Special Education	88,957		88,957
Food/special events		1,787	1,787
Insurance		3,151	3,151
Professional development	4,532		4,532
Dues and membership	1,060	5,366	6,426
Professional fees	3,019	66,120	69,139
Rent	139,690	34,370	174,060
Repairs and maintenance	21,470	5,197	26,667
Telephone		5,331	5,331
Utilities	11,501	2,875	14,376
Consultants	50,138	14,910	65,048
Operations and housekeeping services	17,399	3,745	21,144
Depreciation	54,871		54,871
Total expenses	<u>\$ 829,498</u>	<u>\$ 300,937</u>	<u>\$ 1,130,435</u>

**EAST OAKLAND LEADERSHIP ACADEMY
ORGANIZATION
JUNE 30, 2011**

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Johnnie Riley	Chairperson	August 2013
Donald Stoneham	Finance	August 2013
Sylvia Thomas	Secretary	August 2013
Wannetta Hall	Parent Member	August 2013
John Williams	Member	August 2013
Nashon Purry	Parent Liason	August 2013

Executive Director
Dr. Laura Armstrong

**EAST OAKLAND LEADERSHIP ACADEMY
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Elementary:</u>		
Kindergarten	9	9
Grade 1 through Grade 3	30	30
Grade 4 through Grade 6	39	39
Grade 7 through Grade 8	39	39
	<hr/>	<hr/>
ADA Totals	<u>117</u>	<u>117</u>

Average daily attendance is a measurement of the number of pupils attending classes of the Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionment of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels.

The Charter School's operation is classroom-based with no full time independent study program.

**EAST OAKLAND LEADERSHIP ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Grade Level</u>	1982-83 Actual Minutes	Minimum Minutes Requirement	2010-2011 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	<u>Status</u>
Kindergarten	Not Applicable	34,971	61,470	180	Not Applicable	In Compliance
Grades 1 through 3	Not Applicable	48,960	61,470	180	Not Applicable	In Compliance
Grades 4 through 8	Not Applicable	52,457	61,470	180	Not Applicable	In Compliance

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**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**

The Board of Directors
East Oakland Leadership Academy
Oakland, California

We have audited the financial statements of East Oakland Leadership Academy as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered East Oakland Leadership Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Oakland Leadership Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Oakland Leadership Academy's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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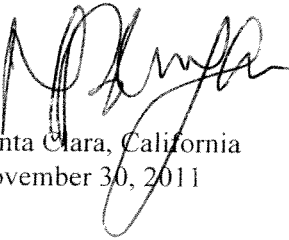
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Compliance and other Matters

As part of obtaining reasonable assurance about whether East Oakland Leadership Academy's financial statements are free of 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*.

This report is intended solely for the information and use of board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Santa Clara, California
November 30, 2011

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
East Oakland Leadership Academy
Oakland, California

We have audited the general-purpose financial statements of East Oakland Leadership Academy, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. Our audit was made in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States, and the Education Audit Appeals Panel's Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

East Oakland Leadership Academy's management is responsible for East Oakland Leadership Academy's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine East Oakland Leadership Academy's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	Education Audit Appeals Panel's Standards and Procedures for Audits of California K-12 Local Educational Agencies <u>2010-2011</u>	<u>Procedures Performed</u>
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction	1	Yes
Nonclassroom-based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Nonclassroom-based Instruction	3	Not Applicable
Annual Instructional Minutes-Classroom Based	3	Yes

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Class Size Reduction Program:

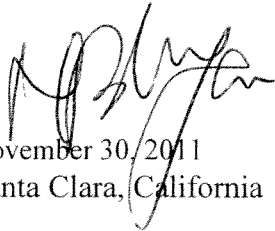
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts of Charter Schools with Only One School Serving K-3	4	Not Applicable

After School Education and Safety Program:

General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable

Based on our audit, we found that, for the items tested, East Oakland Leadership Academy complied with state laws and regulations referred to above. Further, based on our examination for items not tested, nothing came to our attention to indicate that East Oakland Leadership Academy had not complied with the state laws and regulations.

This report is intended solely for the information and use of the board of directors, state controller's office, department of finance and department of education, and is not intended and should not be used by anyone other than these specified parties.



November 30, 2011
Santa Clara, California

**EAST OAKLAND LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDINGS:

No matters were reported.

**EAST OAKLAND LEADERSHIP ACADEMY
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2011**

No matters were reported.