

Oakland School for the Arts
Charter School #0340

Financial Statements

June 30, 2021

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report	2
Financial Statements	
Statement of Financial Position.....	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information	
Organization	20
Schedule of Instructional Time.....	21
Other Independent Auditors' Report	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Independent Auditors' Report on State Compliance	24
Findings and Recommendations	
Schedule of Audit Findings and Questioned Costs	26
Summary Schedule of Prior Audit Findings	28

INDEPENDENT AUDITORS' REPORT

Board of Directors
Oakland School for the Arts
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Oakland School for the Arts ("a nonprofit organization"), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the fiscal 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.

Auditors' 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 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 auditors' 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 Oakland School for the Arts as of June 30, 2021, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 16 to the consolidated financial statements, Oakland School for the Arts' net assets at June 30, 2020 were restated to correct errors that were identified during the fiscal year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the index to financial statements 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 January 31, 2022, on our consideration of Oakland School for the Arts' 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 Oakland School for the Arts' 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 Oakland School for the Arts' internal control over financial reporting and compliance.

BAKER TILLY US, LLP

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

San Diego, California
January 31, 2022

OAKLAND SCHOOL FOR THE ARTS
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS

Current assets:	
Cash and cash equivalents	\$ 3,359,770
Accounts receivable	3,303,801
Prepaid expenses and other assets	135,253
Unconditional promise to give, current portion	525,000
Total current assets	<u>7,323,824</u>
Fixed assets, net	204,274
Deposits	23,236
Unconditional promise to give, less current portion	2,931,250
TOTAL ASSETS	<u><u>\$ 10,482,584</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 115,511
Accrued expenses	3,289,160
Deferred Revenue	112,666
Total liabilities	<u>3,517,337</u>
Net assets:	
Net assets with donor restrictions	3,544,350
Net assets without donor restrictions - undesignated	3,420,897
Total net assets	<u>6,965,247</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,482,584</u></u>

OAKLAND SCHOOL FOR THE ARTS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

	Net Assets without donor restrictions	Net Assets with donor restrictions	Total
REVENUES AND SUPPORT			
Revenue limit sources:			
State aid apportionments	\$ 2,557,694	\$ -	\$ 2,557,694
Education protection account	2,234,144	-	2,234,144
In-lieu of property taxes	2,305,313	-	2,305,313
Federal revenues	459,800	-	459,800
State revenues	1,933,325	38,268	1,971,593
Local revenues:			
Donations	221,214	41,435	262,649
Fundraising	592,151	-	592,151
Other local revenue	53,372	391,960	445,332
Interest and dividends	110	1,285	1,395
Other Revenue	1,480,201	-	1,480,201
Total revenues before transfers	11,837,324	472,948	12,310,272
Net assets released from restrictions	976,092	(976,092)	-
TOTAL REVENUES AND SUPPORT	12,813,416	(503,144)	12,310,272
EXPENSES			
Program services:			
Education	8,493,962	-	8,493,962
Support services:			
Management and general	2,110,998	-	2,110,998
Other services:			
Fundraising	556,841	-	556,841
TOTAL EXPENSES	11,161,800	-	11,161,800
CHANGE IN NET ASSETS	1,651,616	(503,144)	1,148,472
NET ASSETS, BEGINNING OF YEAR AS RESTATED	1,769,281	4,047,494	5,816,775
NET ASSETS, END OF YEAR	\$ 3,420,897	\$ 3,544,350	\$ 6,965,247

OAKLAND SCHOOL FOR THE ARTS
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended June 30, 2021

	Program Services	Support Services	Other Services	Total
	Education	Management and General	Fundraising	
Certificated salaries	\$ 4,451,503	\$ 516,133	\$ 43,750	\$ 5,011,386
Classified salaries	784,919	815,545	266,385	1,866,848
Employee benefits	658,163	195,147	45,448	898,757
Books and supplies	112,210	9,482	2,208	123,900
Travel and conferences	1,899	-	-	1,899
Dues and memberships	9,800	2,906	677	13,382
Insurance	41,847	12,408	2,890	57,144
Operation and housekeeping services	116,812	29,703	6,918	153,432
Rental, leases, repairs, and non-capitalized improvements	1,514,185	370,550	86,297	1,971,032
Professional/consulting services and operating expenditures	433,555	83,988	39,920	557,463
Fundraising expense	-	-	44,851	44,851
Interest expense	55,750	16,530	3,849	76,129
Communications	64,547	5,424	1,263	71,234
District oversight fee	70,966	-	-	70,966
Depreciation and amortization	177,808	53,184	12,386	243,378
Total expenses	<u>\$ 8,493,962</u>	<u>\$ 2,110,998</u>	<u>\$ 556,841</u>	<u>\$ 11,161,800</u>

OAKLAND SCHOOL FOR THE ARTS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	1,148,472
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization		243,378
PPP loan forgiveness		(1,480,201)
Increase in operating assets:		
Accounts receivable		(1,624,597)
Prepaid expenses and other assets		558,740
Unconditional promise to give		538,800
Increase in operating liabilities:		
Accounts payable		56,248
Accrued expenses		(85,624)
Net cash flows used in operating activities		(644,784)

CASH FLOWS FROM INVESTING ACTIVITIES:

Sale of investments		998,715
Cash flows provided by investing activities		998,715

CASH FLOWS FROM FINANCING ACTIVITIES:

Payoff of bond investment		(998,437)
Cash flows used in financing activities		(998,437)

NET DECREASE IN CASH (644,506)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 4,004,276

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 3,359,770

SUPPLEMENTAL DISCLOSURES

Cash Paid for Interest	\$	10,629
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SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES

PPP loan forgiveness	\$	1,480,201
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OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. ORGANIZATION AND MISSION

Oakland School for the Arts (the "Organization") is a non-profit public benefit corporation. The Organization petitioned and was approved through Oakland Unified School District for a charter renewal for a five-year period ending June 30, 2025. The Organization's initial charter was approved by the State of California Department of Education on October 11, 2000.

The Organization balances an immersive arts program with a comprehensive academic curriculum, providing students unique opportunities for learning, expression, innovation and personal growth. The Organization's arts and academic programs build discipline and confidence, effectively preparing creative youth to achieve their potential both in and outside of the arts. The Organization's graduates will be prepared to attend four-year universities in the area of their choice.

The Organization commenced operations during the 2002-2003 fiscal year and currently serves approximately 779 students in grade 6 through grade 12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, Not for Profit entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were \$3,544,350 donor restricted net assets as of June 30, 2021 (see Note 11).

OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Method – Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applicable to not-for-profit organizations. The Organization uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code (“IRC”) Section 501(c)(3). It is, however, subject to income taxes from activities unrelated to its tax-exempt purpose. The Organization uses the same accounting methods for tax and financial reporting.

GAAP provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization’s returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Cash

Cash is from time to time variously composed of cash on hand and cash in banks. The Organization considers all highly liquid instruments with maturities of three months or less at time of acquisition to be cash equivalents. As of June 30, 2021, there were \$1,117,594 of cash equivalents.

Investments

The Organization presents its investments in accordance with the FASB ASC 958-320, *Not-For-Profit Entities - Investments Debt & Equity Securities*. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. The fair values of these investments are subject to change based on the fluctuations of market values. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") establishes a framework for measuring fair value. That framework provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs that are unobservable inputs for the asset or liability.

Accounts Receivable

Accounts receivable are recorded based on the amount expected to be collected from the federal and state government agencies. The amount recorded is based on apportionment schedules issued by the California Department of Education throughout the fiscal year. Management believes that collections of accounts receivable is reasonably assured based on the nature of the receivable coming from government agencies. As such, no allowance for doubtful accounts has been provided.

Fixed Assets

Fixed assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives of 5 to 10 years. Repair and maintenance costs, which do not extend the useful lives of the asset, are charged to expense. The cost of assets, sold or retired, and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred.

OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Deferred revenue represents grant funds received, but not expended. These funds must be expended in accordance with the provisions of the contract to which they apply or refunded if not expended under the terms of the contract. As of June 30, 2021, the Organization had \$112,666 deferred revenue related to the ELO grant.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as current liabilities of the Organization. Accumulated sick leave benefits are not recognized as liabilities of the Organization. The Organization's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Revenue Sources and Recognition

The Organization primarily receives funds from the California Department of Education ("CDE"). Revenue limit sources and state revenues received from the CDE are determined based on the Organization's average daily attendance ("ADA") of students and recognized in the period the ADA occurs.

Contributions and Grants

The Organization receives federal, state and local revenues for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies.

The Organization recognizes federal revenue to the extent that eligible expenditures have been incurred.

Revenue from contributions and grant income is evaluated under Accounting Standards Update ("ASU") 2018-08 and is accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restrictions ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and managements' estimates of the usage of resources.

OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (“Topic 842”). Topic 842 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the present value of payments to be made to lessor, on its statement of financial position for all leases greater than 12 months. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers and Leases*, which deferred the effective date of Topic 842 for the Organization until fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Although the full impact of this new guidance on the Organization’s financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases (See Note 12).

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). The guidance in ASU No. 2014-09 provides that an entity should recognize revenue to depict the transfer of goods or services provided and establishes the following steps to be applied by an entity: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies the performance obligation. In June 2020, the FASB issued ASU 2020-05, which formally deferred the effective date of this guidance by one year, which makes this guidance effective for the Organization for annual reporting periods beginning after December 15, 2019, which for the Organization is its fiscal year beginning July 1, 2020. ASU 2014-09 did not have a material impact on the financial statements of the Organization.

3. CASH

Cash in banks at June 30, 2021, consisted of the following:

Cash in banks	<u>\$ 3,359,770</u>
Total cash	<u><u>\$ 3,359,770</u></u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2021, the Organization had \$3,028,620 in excess of FDIC insured limits.

OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021, consisted of the following:

Revenue limit sources:		
State aid apportionments	\$	374,629
Education protection account		995,981
In-lieu of property taxes		504,002
Federal revenues		296,340
State revenues		1,119,724
Local revenues:		
Miscellaneous		13,125
Total accounts receivable	\$	<u>3,303,801</u>

5. FIXED ASSETS

Fixed assets at June 30, 2021, consisted of the following:

Building and leasehold improvements	\$	5,936,242
Furniture, fixtures and equipment		2,781,340
Less: accumulated depreciation		<u>(8,513,308)</u>
Total fixed assets, net of accumulated depreciation	\$	<u>204,274</u>

During the fiscal year ended June 30, 2021, \$243,378 was charged to depreciation expense.

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets at June 30, 2021, consisted of the following:

Rent	\$	34,700
Insurance		69,989
Miscellaneous		30,564
Total prepaid expenses	\$	<u>135,253</u>

Prepaid Rent

Prepaid rent primarily represents the balance of advance payments made by the Organization on its facility lease (see Note 12). The improvements to the facility were completed in December 2008 and the Organization occupied the facility in January 2009. At June 30, 2021, there was no remaining prepaid balance related to the facility lease.

OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. UNCONDITIONAL PROMISE TO GIVE

On April 15, 2006, as part of an agreement with the Oakland Port Authority, an advertising company agreed to provide the greater of \$367,500 or 31.5% of gross revenue of an advertising billboard per year for Year 1 through Year 5 and the greater of \$367,500 or 35.0% of gross revenue for Year 6 through Year 20. In May 2008, an additional advertising billboard was unconditionally promised from the same advertising company to provide the greater of \$157,500 or 13.5% of gross revenue for Year 1 through Year 5 and the greater of \$157,500 or 15.0% of gross revenues for Year 6 through Year 20. Per the agreement, revenues generated from the billboard advertising are to be used for rent and other facilities related expenses. There were no revenues recorded under these agreements for the fiscal year ended June 30, 2021.

This amount is reflected in the financial statements as an unconditional promise to give and as net assets with donor restrictions as of June 30, 2021.

Current:		
Billboard #1	\$	367,500
Billboard #2		157,500
Non current:		
Billboard #1		1,776,250
Billboard #2		1,155,000
Total unconditional promise to give	\$	<u>3,456,250</u>

8. ACCRUED EXPENSES

Accrued expenses at June 30, 2021, consisted of the following:

Wages and benefits payable	\$	3,039,580
Compensated absences		84,373
Due to grantor government		145,105
Miscellaneous		20,102
Total accrued expenses	\$	<u>3,289,160</u>

OAKLAND SCHOOL FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

9. PAYCHECK PROTECTION PROGRAM

On May 6, 2020, the Organization received loan proceeds in the amount of \$1,480,201 under the Paycheck Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period.

The Organization may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Organization met the PPP’s loan forgiveness requirements, and therefore, applied for forgiveness during March of 2021. Legal release was received during March of 2021, therefore, the Organization recorded forgiveness income of \$1,480,201 within its statement of activities for the year ended June 30, 2021. There was therefore no outstanding PPP loan balance as of June 30, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

10. BONDS PAYABLE, NET

On December 9, 2004, the Association of Bay Area Governments (“ABAG”) Finance Authority for Non-profit Corporations issued Revenue Bond, Series 2004, in the amount of \$1,000,000 on behalf of the Organization, for the purpose of financing the renovation of school facilities. These bonds carried a tax credit rate of 5.62%, bore no interest and had a maturity date of December 9, 2020. There was no principal payment due on the bonds until maturity, at which time the full principal payment of \$1,000,000 was due. Funds held as commercial paper investments were used for repayment of the bond. The bonds contained a discount when issued of \$50,000, which was amortized over the life of the bonds. During the fiscal year ended June 30, 2021, amortization expense of bond discount totaled \$1,563 and as of June 30, 2021, the discount was fully amortized. The Revenue Bond of \$998,715 was fully paid off by the Organization on the maturity date of December 9, 2020.

Balance at June 30, 2020	\$ 998,715
Sales	(1,000,000)
Interest	<u>1,285</u>
Total at June 30, 2021	<u>\$ -</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of unconditional promise to give, and entitlements received but not expended as of June 30, 2021. At June 30, 2021, the Organization had the following net assets with donor restrictions:

Unconditional promise to give	\$ 3,456,250
California technical initiative grant	39,042
Measure N	47,899
G1	<u>1,159</u>
Total net assets with donor restrictions	<u>\$ 3,544,350</u>

OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

12. OPERATING LEASES

The Organization leases facilities and office equipment under operating lease agreements expiring at various times through June 2026. Future minimum lease payments consist of the following:

Year Ending June 30,	Lease Payments
2022	\$ 976,992
2023	1,097,712
2024	529,599
2025	379,179
2026	690
Total future lease payments	<u>\$ 2,984,172</u>

The Organization recognizes escalating rent provisions on a straight-line basis over the lease term. There was no material amount of deferred rent as of June 30, 2021. For the fiscal year ended June 30, 2021, operating lease expense was \$1,545,843.

13. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System ("STRS").

Plan Description and Funding Policy

STRS

Plan Description

The Organization contributes to STRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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 actuarial valuation report as of June 30, 2020, total plan net assets are \$233 billion, the total actuarial present value of projected plan benefits is \$404.8 billion, contributions from all employers totaled \$5.9 billion and the plan is 67.0% funded. The Organization 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.

OAKLAND SCHOOL FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

13. EMPLOYEE RETIREMENT SYSTEMS (continued)

Funding Policy

Active plan members are required to contribute 10.20% of their salary and the Organization 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. The required employer contribution rate for fiscal year 2020-2021 was 16.15% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization's contributions to STRS for the fiscal year ending June 30, 2021, were \$745,126 and equal 100% of the required contributions for the year.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of its liquidity management, the Organization has a goal to maintain financial assets on hand to meet six months of normal operating expenses. The Organization's goal is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization does not have a line of credit available to assist with liquidity management.

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Cash	\$	3,359,770
Accounts receivable		3,303,801
Less: Net assets with donor restriction included in Cash and Accounts Receivable		(88,100)
Total financial assets available within one year	\$	<u>6,575,471</u>

15. COMMITMENTS AND CONTINGENCIES

State Allowances, Awards, and Grants

The Organization has received state 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 the grants, management believes that any required reimbursement will not be material.

OAKLAND SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

16. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded during fiscal year 2021 to adjust the Organization's net assets without donor restrictions at June 30, 2020 to correct an error identified during the fiscal year ended June 30, 2021. The previously reported net assets without donor restrictions as of June 30, 2020 were restated as follows:

Net assets without donor restriction, as previously reported	\$ 4,137,240
<i>Prior period adjustments</i>	
<i>Prior Year STRS due</i>	(1,230,232)
<i>Prior Year principal and interest</i>	(1,137,727)
	<u>(2,367,959)</u>
Net assets without donor restriction, as restated	<u>\$ 1,769,281</u>

For fiscal years prior to June 30, 2021, payments related to certain employees required to have STRS contributions made for were not remitted. As such, this correction, self reported by the Organization, incurred penalties and interest totaling \$1,137,727. This was identified during the fiscal year ended June 30, 2021 and was adjusted accordingly.

17. SUBSEQUENT EVENTS

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through January 31, 2022, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

SUPPLEMENTARY INFORMATION

**OAKLAND SCHOOL FOR THE ARTS
ORGANIZATION
June 30, 2021**

Oakland School for the Arts is a grade 6 through grade 12 Charter School and was granted its charter renewal by Oakland Unified School District through June 30 2025, pursuant to the terms of the Charter School Act of 1992, as amended.

The Board of Directors for the fiscal year ended June 30, 2021, was comprised of the following members:

Name	Office	Term	Term Expiration
Josefina Alvarado Mena	Chair	3 Years	June 30, 2022
Adrienne Barnes	Member	3 Years	June 30, 2022
Michael Barr	Treasurer	3 Years	June 30, 2023
Steven Borg	Member	3 Years	June 30, 2023
Jonathan Dharmapalan	Member	3 Years	June 30, 2023
Wei-Ling Huber	Secretary	3 Years	June 30, 2022
Jason Reimann	Member	3 Years	June 30, 2022
Dewayne Walton	Vice Chair	3 Years	June 30, 2022

Administration

Name	Position
Lisa Sherman-Colt	Executive Director
Kimberly Palmore	Accounting Manager

**OAKLAND SCHOOL FOR THE ARTS
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year End June 30, 2021**

<u>Grade Level</u>	<u>Actual days Traditional Calendar</u>	<u>Status</u>
Grade 6	177	In compliance
Grade 7	177	In compliance
Grade 8	177	In compliance
Grade 9	177	In compliance
Grade 10	177	In compliance
Grade 11	177	In compliance
Grade 12	177	In compliance

OTHER INDEPENDENT AUDITORS' REPORT

**INDEPENDENT AUDITORS' 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
Oakland School for the Arts
Oakland, 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 Oakland School for the Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oakland School for the Arts' 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 Oakland School for the Arts' internal control. Accordingly, we do not express an opinion on the effectiveness of Oakland School for the Arts' 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 Oakland School for the Arts' 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 the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BAKER TILLY US, LLP

Baker Tilly US, LLP

San Diego, California
January 31, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Oakland School for the Arts
Oakland, California

Report on Compliance for Each State Program

We have audited Oakland School for the Arts' compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of Oakland School for the Arts' state programs for the fiscal year ended June 30, 2021. Oakland School for the Arts' state programs are identified below.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Oakland School for the Arts' state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's Audit Guide, *2020-21 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 types of compliance requirements referred to above that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Oakland School for the Arts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Oakland School for the Arts' compliance. In connection with the audit referred to above, we selected transactions and records to determine the Organization's compliance with the state laws and regulations applicable to the following items:

Description

California Clean Energy Jobs Act
 Proper Expenditure of Education Protection Account Funds
 Unduplicated Local Control Funding Formula Pupil Counts
 Independent Study-Course Based
 Attendance and Distance Learning
 Mode of Instruction
 Nonclassroom-Based Instruction/Independent Study
 Determination of Funding for Nonclassroom-Based Instruction
 Instructional Time
 Charter School Facility Grant Program

**Procedures
 Performed**

Not Applicable
 Yes
 Yes
 Not Applicable
 Yes
 Yes
 Not Applicable
 Not Applicable
 Yes
 Yes

The term “Not Applicable” is used above to mean either that the Organization did not offer the program during the current fiscal year, or that the program applies only to a different type of local education agency.

Opinion on State Programs

In our opinion, Oakland School for the Arts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state programs for the fiscal year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the scope of our testing of state compliance and the results of that testing based on the requirements of the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

BAKER TILLY US, LLP



San Diego, California
 January 31, 2022

FINDINGS AND RECOMMENDATIONS

OAKLAND SCHOOL FOR THE ARTS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes N/A No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes N/A None Reported

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported under section 200.516 Audit Findings paragraph (a) of OMB Uniform Guidance? Yes N/A No

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

The Organization did not have over \$750,000 in Federal Expenditures.

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

Auditee qualified as low-risk auditee? Yes N/A No

OAKLAND SCHOOL FOR THE ARTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2021

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Implemented</u>
None	None	None