

CONCORDIA CHARTER SCHOOL

Mesa, Arizona

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017



Rob Paull, CPA, PC

Certified Public Accounting Firm

Rob Paull, CPA

Concordia Charter School

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Concordia Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Concordia Charter School (an Arizona nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Concordia Charter School as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the 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 November 13, 2017, on our consideration of Concordia Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Concordia Charter School's internal control over financial reporting and compliance.

Rob Paull, CPA, PC

Phoenix, Arizona
November 13, 2017

Concordia Charter School
Statement of Financial Position
June 30, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$	373,299
Grants and funds receivable		185
Prepaid expenses		<u>10,417</u>
Total current assets		<u>383,901</u>

Property and Equipment, Net

97,210

TOTAL ASSETS \$ 481,111

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	9,079
Accrued expenses		<u>9,252</u>
Total current/total liabilities		<u>18,331</u>

Net Assets

Unrestricted		<u>462,780</u>
Total net assets		<u>462,780</u>

TOTAL LIABILITIES AND NET ASSETS \$ 481,111

See accompanying notes and auditor's report.

Concordia Charter School
Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
State equalization funds	\$ 854,537	\$ -	\$ 854,537
Revenue from other state sources	7,318	49,820	57,138
Revenue from federal sources	139,943	-	139,943
Revenue from local sources	31,807	-	31,807
Net assets released from restrictions	62,323	(62,323)	-
	<u>1,095,928</u>	<u>(12,503)</u>	<u>1,083,425</u>
Total support and revenue			
Expenses			
Program	829,965	-	829,965
Management and general	170,535	-	170,535
Fundraising	1,441	-	1,441
	<u>1,001,941</u>	<u>-</u>	<u>1,001,941</u>
Total expenses			
Change in net assets	93,987	(12,503)	81,484
Net assets, beginning of year	<u>368,793</u>	<u>12,503</u>	<u>381,296</u>
Net assets, end of year	<u>\$ 462,780</u>	<u>\$ -</u>	<u>\$ 462,780</u>

See accompanying notes and auditor's report.

Concordia Charter School
Statement of Cash Flows
Year Ended June 30, 2017

Cash Flows Provided (Used) by Operating Activities:

Increase in net assets	\$	81,484
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation		17,465
Changes in assets and liabilities:		
Grants and funds receivable		5,749
Prepaid expenses		(3,063)
Accounts payable		4,565
Accrued expenses		8,307
		114,507
Net cash provided by operating activities		114,507

Cash Flows Provided (Used) by Investing Activities:

Purchase of property and equipment		(79,716)
Net cash used by investing activities		(79,716)

Net increase in cash and cash equivalents		34,791
Cash and cash equivalents, June 30, 2016		338,508
Cash and cash equivalents, June 30, 2017	\$	373,299

See accompanying notes and auditor's report.

Concordia Charter School
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 – NATURE OF OPERATIONS:

Concordia Charter School (the School) is an Arizona non-profit corporation created in February 2004. The mission of the School is to provide families a choice for a high quality education for their children in a safe, caring and harmonious environment. The School serves kindergarten through sixth grades in Mesa, Arizona, and operates as a charter school under a contract with the Arizona State Board for Charter Schools ("ASBCS"). The original term of the agreement is subject to renewal on January 9, 2021 and may be renewed for successive twenty-year time periods if the ASBCS deems that the School is in compliance with its charter and statutory provisions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation

The financial statements use the accrual method of accounting and the presentation follows the recommendations for the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) in FASB ASC 958. Under FASB ASC 958, the School is required to report 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.

Revenue recognition

The School recognizes state revenues as earned calculated using a "base support level" determined by the Arizona Department of Education. The "base support level" is a calculation using student counts as a basis for allocating equalization funds to the School such that the School is funded at an amount approximating the amount which public schools in the same district receive on a per pupil basis. State equalization funds are allocated on a fiscal year that ends June 30 of each year and are paid to the School on a periodic basis throughout the school year. Revenues resulting from students enrolled in federally impacted areas ("impact aid") are recognized when the revenues are received, which is the first date that such revenues can reasonably be estimated.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents

For purposes of the statement of cash flows, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants and funds receivable

State equalization funds, grant funds, and unconditional promises to give that are expected to be collected within one year are recorded at net realizable value and recognized as revenue in the period in which the revenue is earned based on student attendance or the promise is received. Based on the nature and history of uncollectible accounts, the School has not provided an allowance for doubtful accounts.

Property and equipment

Land, buildings and improvements with a cost of \$3,000 or more and computers, furniture and equipment with both a cost of \$1,000 or more and an estimated life of more than one year are capitalized. Assets are stated at cost or fair market value at date of gift, if contributed. Depreciation of furniture, equipment, and building improvements is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from three to 39 years. If contributed, assets are stated at their fair market value at the date of gift.

Maintenance and repairs are charged to expense as incurred. The costs of additions and improvements are capitalized and depreciated over the remaining useful lives of the assets. The costs and accumulated depreciation of assets sold or retired are removed from the accounts and any gain or loss is recognized in the year of disposal.

Concordia Charter School
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions

The School follows FASB ASC 958 for contributions. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a donor 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 activity as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated services

A substantial number of volunteers (primarily parents of attending students) have donated many hours of labor to prepare the physical facilities for use as a charter school; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Donated goods

A substantial number of educational goods and products are donated to the School. Goods and items donated for School use are recorded as in-kind income at the fair market value of the goods when received. Items donated for benefit of students are recorded as liabilities until distributed to students.

Functional expenses

Expenses are charged directly to program, management and general, or fundraising categories based on direct expenditures incurred. All expenditures not directly chargeable are allocated based on personnel activity or on building space used for applicable functions.

Advertising

Advertising costs are expensed as incurred. The School incurred advertising expenses of \$75 for the year ended June 30, 2017.

Income taxes

The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The School is not a private foundation. The School has adopted FASB ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For the year ended June 30, 2017, the School had no material uncertain tax positions to be accounted for in the financial statements under the rules, and had no interest or penalties assessed by income taxing authorities. When applicable, interest and penalties are expensed when accrued and are recorded as interest expense and administrative expense, respectively.

Subsequent events

The School has evaluated subsequent events through November 13, 2017, which the date that the financial statements were available to be issued.

NOTE 3 – RESTRICTED ASSETS:

Monies received from the state Classroom Site Fund (CSF) are not repayable to the state once disbursed, but are restricted solely for statutorily approved use at school sites under A.R.S. §15-977. At June 30, 2017, the School had no CSF restrictions.

Concordia Charter School
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 4 – PROPERTY AND EQUIPMENT:

Depreciation expense for the year ended June 30, 2017 was \$17,465. Property and equipment consisted of the following at June 30, 2017:

Equipment	\$	238,369
Leasehold improvements		34,365
Furniture and fixtures		67,149
		339,883
(Less) accumulated depreciation		(242,673)
Property and equipment, net	\$	97,210

NOTE 5 – LINE OF CREDIT:

The School has a revolving credit line of \$13,000 for purchases and \$2,600 for cash and an associated credit card which it uses to pay for operating expenses. At June 30, 2017, the annual interest rate was 10.99% for amounts resulting from purchases not repaid within a single operating cycle. Interest expense accrued on the line of credit during the year was not significant, and the balance at year end is included in accrued expenses.

NOTE 6 – LEASE COMMITMENTS:

Operating lease (Mesa)

The School leases facilities from a church in Mesa, Arizona for classroom and office space and certain utilities. Effective July 1, 2015, the School renewed its lease with the church for five years. The latest lease terms call for monthly payments of \$4,500 until the termination of the lease. During the year ended June 30, 2017, the School paid \$54,000 under the terms of the lease. At June 30, 2017, future minimum required payments for leases expiring in more than one month are as follows:

<u>Year ending June 30,</u>		
2018	\$	54,000
2019		54,000
2020		54,000

NOTE 7 – CONCENTRATIONS OF RISK:

Cash

Financial instruments that potentially expose the School to concentrations of credit and market risk consist primarily of deposits in checking accounts. At June 30, 2017, the Federal Deposit Insurance Corporation (FDIC) insured a substantial portion of the School's deposits; however, the balances in these accounts occasionally exceed federally insured limits. The School has not experienced any losses on its cash.

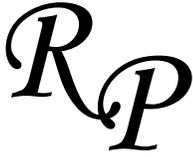
Revenue sources

Approximately 95% of the School's revenue for the year ended June 30, 2017 was derived from Arizona funds or passed through to the School by state agencies. Collection from the state of Arizona is reasonably assured, provided that the School complies with contract terms stipulated in its contract with the Arizona State Board for Charter Schools. The School's compliance with certain laws and regulations is subject to review by the Arizona Department of Education and the Arizona State Board for Charter Schools. Although such reviews could result in a reduction of state equalization assistance, in the opinion of the School's management, any reductions that may result are not expected to be significant. Changes in state funding levels for charter schools could have a significant impact on the School's ability to operate.

Concordia Charter School
 Supplementary Information
 Schedule of Functional Expenses
 Year Ended June 30, 2017

	<u>Program Expenses</u>	<u>Management and General Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Personnel Costs				
Salaries	\$ 542,225	\$ 81,366	\$ -	\$ 623,591
Payroll taxes and benefits	91,736	13,766	-	105,502
Total personnel costs	<u>633,961</u>	<u>95,132</u>	<u>-</u>	<u>729,093</u>
Depreciation	16,592	655	218	17,465
Equipment rental and repair	24,362	962	321	25,645
Food service	47,087	-	-	47,087
Miscellaneous	15,780	623	208	16,611
Occupancy	51,300	2,025	675	54,000
Professional and technical services	21,090	51,401	19	72,510
Supplies	14,260	19,514	-	33,774
Travel and transportation	5,533	223	-	5,756
Total functional expenses	<u>\$ 829,965</u>	<u>\$ 170,535</u>	<u>\$ 1,441</u>	<u>\$ 1,001,941</u>

See auditor's report.



Rob Paull, CPA, PC

Certified Public Accounting Firm

Rob Paull, CPA

**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***

To the Board of Directors of
Concordia Charter School

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 Concordia Charter School (an Arizona nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, 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 November 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Concordia Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Concordia Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Concordia Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Concordia Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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.

Rob Paull, CPA, PC

Phoenix, Arizona
November 13, 2017



Rob Paull, CPA, PC

Certified Public Accounting Firm

Rob Paull, CPA

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of
Concordia Charter School

We have performed the procedures enumerated in the accompanying Legal Compliance Questionnaires which were agreed to by Concordia Charter School (School) and the Arizona State Board for Charter Schools (ASBCS), solely to assist you and the ASBCS in evaluating the School's compliance with the requirements of the ASBCS Legal Compliance Questionnaire for the year ended June 30, 2017. Our findings related to the procedures are contained therein. Concordia Charter School's management is responsible for compliance with the requirements listed in the Legal Compliance Questionnaire. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the Legal Compliance Questionnaire for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the School's compliance with the requirements of the Legal Compliance Questionnaire. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Concordia Charter School and the Arizona State Board of Charter Schools and is not intended to be and should not be used by anyone other than those specified parties.

Rob Paull, CPA, PC

Phoenix, Arizona
November 13, 2017



Arizona State Board for Charter Schools
Legal Compliance Questionnaire
Concordia Charter School
Fiscal Year Ended June 30, 2017

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INSTRUCTIONS

NOTE: This questionnaire should only be used for charters that are exempt from the Uniform System of Financial Records for Arizona Charter Schools (charters that HAVE an exception). If a charter is subject to procurement requirements pursuant to A.R.S. §§15-189.02 and 41-2535(A), this questionnaire should be used in conjunction with the Procurement Compliance Questionnaire (see audit guidelines) which is available on the Arizona State Board for Charter Schools' website <https://asbcs.az.gov>.

In order to determine whether a charter that is exempt from the requirements of the Uniform System of Financial Records for Arizona Charter Schools (USFRCS) is complying with applicable legal requirements, the auditors must complete the following Legal Compliance Questionnaire in accordance with both the agreed upon procedures (instructions contained herein) and the attestation standards established by the American Institute of Certified Public Accountants. (Note: This questionnaire is not comprehensive of all legal requirements for charter schools. As such, this document should not be the sole reference to determine all laws and regulations that are applicable to charter schools).

The following prescribed minimum agreed upon procedures, as well as those identified throughout the questionnaire, must be used for completing the Legal Compliance Questionnaire in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The State Board for Charter Schools may reject questionnaires not meeting these standards.

- ◆ Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the charter complies with the legal requirements, and the evidence must be included in the documentation.
- ◆ Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support "Yes" answers to the questionnaire.
- ◆ Population size should be considered in determining the number of items to test, and the items selected should be representative of the population.
- ◆ The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing one transaction, record, or item is not sufficient.
- ◆ The sample size should be expanded if the audit firm cannot clearly determine whether the charter complies with the legal requirements of the question.

- ◆ If sufficient evidence has been obtained and documented during the current audit, that evidence may be referenced to answer questions.

- ◆ All “No” and “N/A” answers must be adequately explained in the comments column or in an attachment. Findings must be described in sufficient detail to enable the State Board for Charter Schools to describe the finding in a letter. The description should include the number of items tested and the number of exceptions noted.

- ◆ A “Yes” answer indicates that the audit firm has determined that the charter complies with the legal requirements of the question and a “No” answer indicates the charter does not comply. However, the final determination of compliance on each question, as well as overall compliance with legal requirements, is made by the State Board for Charter Schools based on the evidence presented in the questionnaire, audit reports, resulting documentation, and any other sources.

The resulting documentation supporting the audit firm’s answers to the Legal Compliance Questionnaire must be made available on request for review by the State Board for Charter Schools. To facilitate this review, the audit firm may wish to include in the documentation a copy of the questionnaire containing references to procedures performed for each question.

Legal Compliance Questionnaire¹

Questions/Subject Area	Yes/No	Comments
Personnel		
1. Did the school have valid fingerprint clearance cards (FCC) for 100% of the required personnel as of the testing date? A.R.S. §15-183(C)(5) and A.R.S. §15-512(H)	Yes	
(QUESTIONS #2a THROUGH 2c ONLY APPLY TO NEW HIRES REQUIRED PURSUANT TO A.R.S. §15-183(C)(5) TO HAVE VALID FCCS AND DO NOT APPLY IF AN INDIVIDUAL'S FCC HAS EXPIRED.)		
2. For each individual referenced in #1 that did not have a valid FCC, please provide the following information (provide supplemental pages, if necessary) (See agency guidance available on the Board's website prior to completing these questions) A.R.S. §15-183(C)(5) :		
a. Was an application for a FCC on file with the Department of Public Safety (DPS) as of the testing date?	N/A	All required personnel had FCCs.
b. Did DPS receive the application prior to the hire date?	N/A	All required personnel had FCCs.
c. Prior to placement, did the school do all of the following?		
i) Document the necessity for hiring/placing the individual prior to receiving a FCC?	N/A	All required personnel had FCCs.
ii) Obtain statewide criminal history information on the individual?	N/A	All required personnel had FCCs.
iii) Obtain references from the applicant's current and previous employers?	N/A	All required personnel had FCCs.
3. Did the charter school maintain up-to-date fingerprints of all Governing Body members as of the testing date? Charter Contract²	Yes	
4. Were all other personnel fingerprint checked as of the testing date? A.R.S. §15-183(C)(5) and A.R.S. §15-512	Yes	
5. Did the charter school inform the parents and guardians of pupils enrolled in the school of the availability of information about the educational and teaching background and experience in a particular academic content subject area for all current employees who provide instruction to pupils? A.R.S. §15-183(F)	Yes	

¹ For the purposes of this questionnaire, please note that "Governing Body" means the group of persons required by A.R.S. §15-183(E)(8) that is responsible for policy decisions of the charter school. The term "Governing Board" means the group of persons that the charter holder has assigned the responsibility addressed by the question. The applicable group of persons may be the Governing Body or the officers, directors, members or partners of the charter holder. The applicable group of persons may vary depending on the issue addressed by the question.

² Specific contract cites could not be provided as term references vary per contract year.

	Yes/No	Comments
Required Filings		
1. Is the school in good standing with the following regulatory bodies:		
a. Internal Revenue Service U.S.C. Title 26		
i. For payroll taxes, income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	Yes	
ii. The school did not have any payroll or income taxes payable from a prior year(s) as of audited fiscal year end (June 30 th) is a true statement.	Yes	
iii. If the response to 1.a.i, 1.a.ii, or both is "no", does the school have a payment plan in place with the Internal Revenue Service?	N/A	1.a.i and 1.a.ii are Yes.
iv. If the answer to Question 1.a.iii is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 th)?	N/A	1.a.iii is not Yes.
b. Arizona Department of Revenue A.R.S. §43-401 and §43-1111		
i. For payroll taxes, state income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	Yes	
ii. The school did not have any payroll or income taxes payable from a prior year(s) as of audited fiscal year end (June 30 th) is a true statement.	Yes	
iii. If the response to 1.b.i, 1.b.ii, or both is "no", does the school have a payment plan in place with the Arizona Department of Revenue?	N/A	1.b.i and 1.b.ii are Yes.
iv. If the answer to Question 1.b.iii is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 th)?	N/A	1.b.iii is not Yes.
c. Arizona Department of Economic Security A.R.S. § 23-721 et seq.		
i. State unemployment contributions requirements for the audited fiscal year?	Yes	
ii. The school did not have any state unemployment contributions payable from a prior year(s) as of audited fiscal year end (June 30 th) is a true statement.	Yes	
iii. If the response to 1.c.i, 1.c.ii, or both is "no", does the school have a payment plan in place with the Arizona Department of Economic Security?	N/A	1.c.i and 1.c.ii are Yes.
iv. If the answer to Question 1.c.iii is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 th)?	N/A	1.c.iii is not Yes.
d. Corporation Commission (e.g., annual report)? Charter Contract	Yes	

2. Was a copy of the adopted budget submitted electronically to the Superintendent of Public Instruction no later than July 18 th ? A.R.S. §15-905(E) and §15-183(E)(6)	Yes	
3. Was the Annual Financial Report (AFR) sent to the Superintendent of Public Instruction by October 15 th ? A.R.S. §15-183(E)(6) and 15-904(A)	Yes	
Special Education		
1. Is the staff the school uses to provide special education services (internal or contracted) certified in special education?	Yes	
2. Does the school conduct 45 day screenings on all new students? AAC R7-2-401	Yes	
3. Are evaluations and IEPs on file for special education students? 34 CFR 300.341-350 and 300.531-536	Yes	
Classroom Site Fund - A.R.S. §15-977 & OAG Memorandum No. 44		
1. Did the school properly allocate Classroom Site Fund receipts among the following projects: 1011 – Base Salary (20%), 1012 – Performance Pay (40%), and 1013 – Other (40%)?	Yes	
2. For Project 1011, were expenses only for teacher base salary increases and employment-related expenses?	Yes	
3. For Project 1012, were expenses only for performance-based teacher compensation increases and employment-related expenses?	Yes	
4. For Project 1013, were expenses only for class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention programs, and teacher liability insurance premiums?	Yes	
5. Did the school use Classroom Site Fund monies to supplement rather than supplant, existing funding from all other sources? (See USFRCS Memorandum No. 44 for guidance on the Classroom Site Fund.)	Yes	
6. If the school had monies remaining at year-end, were they properly carried forward in the three Classroom Site Projects (1011, 1012, and 1013) to help ensure that the restrictions placed on the original allocation of revenues is applied in future years?	N/A	No monies remaining.
7. Did the school have sufficient cash at year-end to cover the carry over monies, and what was the Classroom Site Fund <u>cash</u> carryover balance at year-end?	N/A	No CSF cash carryover balance.

Student Attendance Reporting		
If test work performed in this section discloses a net overstatement or understatement of membership and/or absence days, based on A.R.S. and ADE’s membership and attendance guidelines, report the net overstatement or understatement in the “Comments” column next to each applicable question.		
	Yes/No	Comments
1. Was school in session for at least 180 days or did the Governing Board adopt a calendar with an equivalent number of minutes of instruction per school year based on a different number of days of instruction? A.R.S. § 15-341.01	Yes	
2. Did the school ensure that [A.R.S. §§15-808(J)(1) and 15-901(A)(1)]: (Note: Instructional hours do not include periods of the day in which an instructional program or course of study is not being offered, including, but not limited to, lunch, recesses, home room periods, study hall periods, and early release or late start hours.) ADE’s External Guidelines GE-17 and GE-18		
a. Preschool children with disabilities were enrolled in a program that met at least 360 minutes a week that meets at least 216 hours over the minimum number of days?	N/A	No preschool program.
b. Kindergarten was in session for at least 356 hours or 346 hours for Arizona Online Instruction (AOI) Programs?	Yes	
c. Grades 1 through 3 were in session for at least 712 hours?	Yes	
d. Grades 4 through 6 were in session for at least 890 hours?	Yes	
e. Grades 7 and 8 were in session for at least 1,000 hours or 1,068 hours for AOI Programs?	Yes	No grades above 6 th .
f. Grades 9 through 12, other than AOI Programs, were in session at least 720 hours?	N/A	No high school.
g. Grades 9 through 12, other than AOI Programs, include at least four subjects, each of which if taught each school day for the minimum number of days required in a school year, would meet a minimum of 123 hours a year?	N/A	No high school.
h. Grades 9 through 12 of AOI Programs include at least four courses throughout the year that meet at least 900 hours during the school year?	N/A	No high school.
<p>For Student Attendance Reporting questions, the audit firm must select and test the specified number of transactions (records, entries, withdrawals, or days) as shown in the sample size instructions before each section. These samples should include <u>3</u> or more grade levels and <u>3</u> or more campuses, where applicable. The listed sample sizes represent the minimum level of required test work. The audit firm should use its judgment in determining whether a larger sample is needed. All student attendance records tested should be selected from the 100th day reporting period.</p> <p>In the parentheses provided within the questions, write the actual number of transactions tested. If all transactions were tested, indicate such in the “Comments” column.</p> <p>For questions 3-5 select at least 3 student attendance records.</p>		

<p>3. If the school had an early (pre-) kindergarten program, based upon review of (0) early (pre-) kindergarten students' attendance records, did the school only calculate and submit membership/absence information for this program for students with disabilities? A.R.S. §15-901(A)(1)(a)(i) and USFRCS Memorandum No. 33</p>	N/A	No early kindergarten program.								
<p>4. Based upon review of (3) students' attendance records in kindergarten programs, if the instructional time for the year was between 356 and 692 hours, were students not in attendance for at least three-quarters of the day counted as being absent or, if the instructional time for the year was 692 hours or more, were students not in attendance at least one-half of the day counted as being absent? A.R.S. §§15-901(A)(1)(a)(i) and 15-901(A)(5)(a)(i)</p>	Yes									
<p>5. If the school had an early first grade program, based upon review of (0) early first grade students' attendance records, did the school calculate and submit membership/absence information for this program as it would for kindergarten? A.R.S. §§15-901(A)(1)(a)(i) and 15-901(A)(5)(a)(i), and USFRCS Memorandum No. 33</p>	N/A	No early first grade program.								
<p style="text-align: center;">For questions 6 and 7, use the following sample sizes:</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">SCHOOLWIDE ADM</th> <th style="text-align: center; border-bottom: 1px solid black;">Student Attendance Records</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><1,000</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">1,000-5,000</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">>5,000</td> <td style="text-align: center;">15</td> </tr> </tbody> </table>	SCHOOLWIDE ADM	Student Attendance Records	<1,000	5	1,000-5,000	10	>5,000	15		
SCHOOLWIDE ADM	Student Attendance Records									
<1,000	5									
1,000-5,000	10									
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<p>6. Based upon review of (5) students' attendance records at elementary and junior high schools in which attendance was based on half days, were students in attendance for less than one-half the day counted as being absent for one full day; were students in attendance for at least one-half day, but less than three-quarters of a day, counted as being absent for one-half day; and were students in attendance for at least three-quarters of a day counted in attendance for a day? A.R.S. §15-901(A)(5)(b)(ii)</p>	Yes									
<p>7. Based upon review of (0) students' attendance records at elementary and junior high schools where attendance was based on quarter days, were students in attendance for more than three-quarters of the day counted in attendance for a day and students in attendance for three-quarters of the day or less counted in attendance for each quarter of the day in attendance? A.R.S. §15-901(A)(5)(b)(i)</p>	N/A	All attendance is based on half days.								

<p>For questions 8 through 15, use the following sample sizes:</p> <table border="1"> <thead> <tr> <th><u>SCHOOLWIDE ADM</u></th> <th><u>Student Attendance Records</u></th> </tr> </thead> <tbody> <tr> <td><1,000</td> <td>3</td> </tr> <tr> <td>1,000-5,000</td> <td>5</td> </tr> <tr> <td>>5,000</td> <td>7</td> </tr> </tbody> </table>			<u>SCHOOLWIDE ADM</u>	<u>Student Attendance Records</u>	<1,000	3	1,000-5,000	5	>5,000	7
<u>SCHOOLWIDE ADM</u>	<u>Student Attendance Records</u>									
<1,000	3									
1,000-5,000	5									
>5,000	7									
8. For schools approved to report minutes of attendance, based upon review of the attendance records for a 1-month period for (0) students whose attendance was reported in minutes, did the school report minutes of attendance only for actual classroom instruction attended by the students?	N/A	All attendance is based on half days.								
9. Based upon review of (0) high school students' attendance records, whose attendance was reported in terms of absences, for all absence days reported in a 1-month period, did the school report absences in accordance with the method(s) provided by ADE?	N/A	No high school program.								
10. Based upon review of (0) high school students' attendance records, did the school prorate the membership of the students enrolled in less than four subjects?	N/A	No high school program.								
11. For students enrolled in a program provided by a JTED in a facility owned and operated by a school:										
a. For schools-Based on a review of (0) students' attendance records, did the school report the actual enrollment and attendance data for only the school classes the student was enrolled in at that school (excluding JTED program classes) under the school's CTDS number?	N/A	No students had concurrent JTED enrollment.								
b. For schools-Based on the review of (0) students' attendance records for all absence days reported in a <u>1</u> month period, did the school calculate absences in accordance with the method(s) provided by ADE <i>and</i> based on the number of school classes the student was enrolled in and attended (excluding JTED programs classes)? [Note: Total membership claimed for the school and the JTED satellite locations for each student should not exceed 1.25. A.R.S. §15-393(P)]	N/A	No students had concurrent JTED enrollment.								

<p>12. For schools offering an AOI Program, based upon a review of (0) AOI students' attendance records for 4 weeks: (ADE's Policies and Procedures Manual, SF-0003)</p> <p>a. Was the guardian-approved or school computer-generated daily log describing the amount of time spent by the student on academic tasks maintained by the participating AOI School? A.R.S. §15-808(E)</p>	N/A	No AOI program.												
<p>b. Did the hours reported to ADE agree to the guardian-approved or school computer-generated daily log?</p>	N/A	No AOI program.												
<p>c. Were all students who participated in an AOI Program, residents of this state? A.R.S. §15-808(B)</p>	N/A	No AOI program.												
<p>d. Was the student's Intended Full Time Equivalency Enrollment Statement maintained?</p>	N/A	No AOI program.												
<p>13. Based on review of the student's attendance records in question 12, did the school follow its procedures, to re-determine the actual FTE for each student enrolled in an AOI Program, following a student's withdrawal or after the end of the school year?</p>	N/A	No AOI program.												
<p>14. Based upon review of (0) students' attendance records (all grades) for students withdrawn for having ten consecutive unexcused absences, was the student only counted in membership through the last day of actual attendance or excused absence? A.R.S. §15-901(A)(1)</p>	N/A	No students met the criteria during the year.												
<p>15. Based upon review of (3) students' attendance records, does the student's name entered in the student management system match the name on the legal document on file? A.R.S. §15-828(D)</p>	Yes													
<p>For questions 16 and 17, use the following sample sizes:</p>														
<table border="0" style="width: 100%; text-align: center;"> <tr> <td colspan="2">SCHOOLWIDE</td> </tr> <tr> <td>ADM</td> <td>Entries/Withdrawals</td> </tr> <tr> <td><hr style="width: 100%;"/></td> <td><hr style="width: 100%;"/></td> </tr> <tr> <td><1,000</td> <td>5</td> </tr> <tr> <td>1,000-5,000</td> <td>10</td> </tr> <tr> <td>>5,000</td> <td>15</td> </tr> </table>			SCHOOLWIDE		ADM	Entries/Withdrawals	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<1,000	5	1,000-5,000	10	>5,000	15
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16. Based upon review of (5) entries: (Note: Enrollment forms are not required for continuing students at the same school.)		
a. Were the entry dates entered into the school's computerized attendance system within 5 working days after the actual date of entry and was documentation maintained to support the date of data entry?	Yes	
b. Did the entry date in the computerized attendance system agree to the entry form?	Yes	
c. Did the teachers' attendance registers, if used, and other documentation support the entry date in the computerized attendance system?	Yes	
d. Did membership begin on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school?	Yes	
e. Did the school obtain and maintain verifiable documentation of Arizona residency upon enrollment? A.R.S. §15-802(B)(1) and ADE's Arizona Residency Documentation Guidelines	Yes	
f. If a student was a nonresident of Arizona, was the student excluded from the school's student count and state aid calculations? A.R.S. §15-823(K)	N/A	No students were found to be nonresidents.
g. If the school admitted students who were nonresidents of Arizona, was tuition charged, as applicable? A.R.S. §15-823	N/A	No students were found to be nonresidents.
17. Based upon review of (5) withdrawals:		
a. Were the withdrawal dates entered into the school's computerized attendance system within 5 working days after the actual day of withdrawal and was documentation maintained to support the date of data entry? (Note: "Day of withdrawal" for determining timely data entry means: a. the later of the student's withdrawal date or the day the school is notified the student will not be returning; or b. the 10 th day of unexcused absence for students withdrawn for having ten consecutive unexcused absences.)	Yes	

<p>b. Did the withdrawal date in the computerized attendance system agree to the withdrawal form? (Note: If the computerized attendance system requires the school to input the day following the withdrawal date for a student to be counted in membership through the last day of actual attendance or excused absence, the withdrawal date on the system should be the school day following the withdrawal date on the form.)</p>	<p>Yes</p>									
<p>c. Did the teachers' attendance registers, if used, and other supporting documentation agree to the withdrawal date in the computerized attendance system?</p>	<p>Yes</p>									
<p>d. Was an <i>Official Notice of Pupil Withdrawal</i> form prepared and retained for each withdrawal and signed by a school administrator? A.R.S. §15-827</p>	<p>Yes</p>									
<p style="text-align: center;">For question 18, use the following sample sizes:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>SCHOOLWIDE ADM</u></th> <th style="text-align: center;"><u>Days</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><1,000</td> <td style="text-align: center;">3</td> </tr> <tr> <td style="text-align: center;">1,000-5,000</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">>5,000</td> <td style="text-align: center;">7</td> </tr> </tbody> </table>			<u>SCHOOLWIDE ADM</u>	<u>Days</u>	<1,000	3	1,000-5,000	5	>5,000	7
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<1,000	3									
1,000-5,000	5									
>5,000	7									
<p>18. Based upon review of (3) days for various campuses, grades, and classes in the computerized attendance system, did the student absences from each day agree to the teachers' attendance registers, absence slips, or other supporting documentation, if used?</p>	<p>Yes</p>									
<p>19. Did the school have adequate electronic or manual controls in place to ensure that any changes to the original record of student attendance data were properly authorized and documented, including the names or identification numbers of the persons making and authorizing the changes?</p>	<p>Yes</p>									
<p>20. Was the school's membership/absence information submitted to ADE electronically at least once every 20 school days for membership and 60 days for absence information through the last day of instruction (with the first 20 and 60 day periods beginning on the first day of school or the opening of SAIS or AzEDS, for current fiscal year data submission, whichever is later)? A.R.S. §§15-901(A)(1) and 15-1042(G)</p>	<p>Yes</p>									
<p>21. Based upon review of the school's 100th day information uploaded to ADE (ADMS 75-1 or equivalent report in AzEDS), did the membership and absences agree to the school's computerized attendance system records? (Note: For an AOI Program, review year-end attendance information.)</p>	<p>Yes</p>									

Open Meeting Law A.R.S. § 38-431.01 and § 38-431.02 (See also Attorney General Opinion I00-009)	Yes/No	Comments
1. Did the school conspicuously post a statement on its website stating where all public notices of its meetings will be posted, including the physical and electronic locations?	Yes	
2. Did the school post all public meeting notices on its website?	Yes	
3. Did the school maintain a record of notices that includes a copy of each notice that was posted and information regarding the date, time and place of posting?	Yes	
4. Were notices and agenda of public meetings posted at least 24 hours before the meeting?	Yes	
5. Were written minutes prepared or a recording made of Governing Body meetings?	Yes	
Insurance Requirements A.R.S. §15-183(M)		
1. Does the school have the required insurance for liability and property loss?	Yes	
Tuition A.R.S. §15-185(B)(6) (See also Attorney General Opinion I98-007)		
1. Did the school refrain from charging fees that may be considered tuition other than as provided for in A.R.S. §15-185(B)(6) [nonresidents]?	Yes	
Records Management		
1. Did the school retain records in accordance with the <i>General Retention Schedules for Education – K-12</i> published by the Arizona State Library, Archives and Public Records (based on the testing conducted during the course of the audit)? (www.azlibrary.gov/arm/retention-schedules)	Yes	
2. Was adequate documentation retained to support amounts in the financial statements (if the school is not the primary reporting entity - was adequate documentation retained to support revenue and expenses in the charter school)?	Yes	

This Questionnaire was completed in accordance with the minimum standards as set forth in the instructions on pages 2 and 3.

Rob Paull, CPA, PC

Audit Firm



Preparer's Signature (Audit Firm Representative)

November 13, 2017

Date

Partner/President

Title