

***WILLOW EDUCATION
DBA BAY AREA TECHNOLOGY SCHOOL
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013***

WILLOW EDUCATION
DBA BAY AREA TECHNOLOGY SCHOOL

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HILL, MORGAN AND ASSOCIATES, LLP

Certified Public Accountants

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Partners
Jeffrey Hill, CPA
Raymond Morgan, CPA

To the Board of Directors
Willow Education
dba Bay Area Technology School
Oakland, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of **Willow Education dba Bay Area Technology School** which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flow for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2012 financial statements and in our report dated November 23, 2012 an unqualified opinion was expressed on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the Education Audit Appeals Panel's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements 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 statement 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriated to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Willow Education dba Bay Area Technology School** as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents 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 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2013 on our consideration of **Willow Education dba Bay Area Technology School's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering **Willow Education dba Bay Area Technology School's** internal control over financial reporting and compliance.

Hill, Morgan and Associates, LLP

Carson, California
October 21, 2013

WILLOW EDUCATION
DBA BAY AREA TECHNOLOGY SCHOOL
STATEMENT OF FINANCIAL POSITION
At June 30, 2013
(With comparative totals at June 30, 2012)

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 253,831	\$ 213,240
Prepaid expense		6,000
Accounts receivable	291,995	442,679
Total current assets	545,826	661,919
PROPERTY AND EQUIPMENT:		
Furniture and equipment (Note 2)	145,162	140,158
Less: accumulated depreciation (Note 2)	(140,658)	(137,991)
Net property and equipment	4,504	2,167
 Total assets	 \$ 550,330	 \$ 664,086
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 379,151	\$ 209,496
Accrued payroll and related liabilities		8,156
Lines of credit (Note 3)	43,567	
Loans payable		374,972
Total current liabilities	422,718	592,624
Total liabilities	422,718	592,624
NET ASSETS:		
Unrestricted	127,612	71,462
Total net assets	127,612	71,462
Total liabilities and net assets	\$ 550,330	\$ 664,086

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

WILLOW EDUCATION
DBA BAY AREA TECHNOLOGY SCHOOL
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013
(With comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
REVENUES:		
Federal support	\$ 66,033	\$ 67,128
State support	1,493,823	1,617,172
Local support	<u>21,950</u>	<u>56,695</u>
Total revenues	<u>1,581,806</u>	<u>1,740,995</u>
EXPENSES:		
Certificated salaries	669,291	909,372
Classified salaries	39,133	32,333
Fringe benefits	210,674	279,319
Books and supplies	47,707	74,691
Services and other operating expenses	555,820	493,521
Interest expense	364	5,987
Depreciation	<u>2,667</u>	<u>27,061</u>
Total expenses	<u>1,525,656</u>	<u>1,822,284</u>
Increase (decrease) in net assets	56,150	(81,289)
Net assets, beginning of the year	<u>71,462</u>	<u>152,751</u>
Net assets, end of the year	<u>\$ 127,612</u>	<u>\$ 71,462</u>

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

WILLOW EDUCATION
DBA BAY AREA TECHNOLOGY SCHOOL
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013
(With comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 56,150	\$ (81,289)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,667	27,061
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	150,684	(217,921)
Prepaid expense	6,000	(6,000)
Increase (decrease) in liabilities:		
Accounts payable	169,655	69,662
Payroll and related liabilities	<u>(8,156)</u>	<u>(2,277)</u>
Net cash provided by (used in) operating activities	<u>377,000</u>	<u>(210,764)</u>
Cash flows from investing activities:		
Cash used to purchase fixed assets	<u>(5,004)</u>	<u>(3,104)</u>
Net cash used in investing activities	<u>(5,004)</u>	<u>(3,104)</u>
Cash flows from financing activities:		
Proceeds from lines of credit and loans	43,567	374,972
Payment to loan principal	<u>(374,972)</u>	<u></u>
Net cash (used in) provided by financing activities	<u>(331,405)</u>	<u>374,972</u>
Net increase in cash	<u>40,591</u>	<u>161,104</u>
Cash and cash equivalents, beginning of the year	<u>213,240</u>	<u>52,136</u>
Cash and cash equivalents, end of the year	<u>\$ 253,831</u>	<u>\$ 213,240</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest expense	<u>\$ 364</u>	<u>\$ 5,987</u>

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

WILLOW EDUCATION DBA BAY AREA TECHNOLOGY SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Willow Education dba Bay Area Technology School (School) is a charter school located in Oakland, California that provides sixth through twelfth grade education to approximately 195 students. The School was created under the approval of the Oakland Unified School District and the California State Board of Education, and receives public per-pupil funding to help support their operation. The School is economically dependent on Federal and State funding.

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, "Not-for-Profit Organizations."

ESTIMATES

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

CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, the School considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

INCOME TAXES

The School is a not-for-profit organization that is exempt from Federal and state income taxes under the Internal Revenue Code Section 501(c) (3) and the California State Revenue and Taxation Code 23701 (d) except on net income derived from unrelated business activities. The School's management believes that it has support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The School's Forms 990, Return of Organization Exempt from Income Tax for the years ending June 30, 2010, 2011, 2012 and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

These notes are an integral part of the preceding financial statements.

WILLOW EDUCATION DBA BAY AREA TECHNOLOGY SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

PROPERTY AND EQUIPMENT

Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2012 from which the summarized information was derived.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 comprise the following:

<u>Description</u>	<u>Cost</u>	<u>Accum. deprec.</u>	<u>Net book Value</u>
Furniture and equipment	\$ <u>145,162</u>	\$ <u>(140,658)</u>	\$ <u>4,504</u>
Net property and equipment	\$ <u>145,162</u>	\$ <u>(140,658)</u>	\$ <u>4,504</u>

NOTE 3 - LINES OF CREDIT

The school has an open line of credit with a local bank for a credit limit of \$90,000. Interest is calculated based on the outstanding balance at an annual interest rate of 8.5%. The outstanding balance on June 30, 2013 was \$35,182.

The school has a credit card with a local bank for a credit limit of \$10,000. Interest is calculated based on the outstanding balance at an annual interest rate of 15.24%. The outstanding balance on June 30, 2013 was \$8,385.

These notes are an integral part of the preceding financial statements.

WILLOW EDUCATION DBA BAY AREA TECHNOLOGY SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - SUBSEQUENT EVENT

The School's Management has evaluated subsequent events for the period from June 30, 2013 through October 21, 2013, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

These notes are an integral part of the preceding financial statements.

SUPPLEMENTARY INFORMATION

WILLOW EDUCATION DBA BAY AREA TECHNOLOGY SCHOOL

SUPPLEMENTARY INFORMATION

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

Name of School	Willow Education dba Bay Area Technology School
Sponsoring District	Oakland Unified School District
Original date of charter	5/07/2003
Charter expiration date	6/30/2018

GOVERNING BOARD

<u>Member</u>	<u>Title</u>
Dr. Mehmet Sen.	President
Dr. Ayhan Mutlu	Vice President
Mr. Sefa Isik	Treasurer
Deniz Dogruer, MS	Director
Hayri Hatipoglu	Principal

MANAGEMENT TEAM

Hayri Hatipoglu - Principal

WILLOW EDUCATION DBA BAY AREA TECHNOLOGY SCHOOL

SUPPLEMENTARY INFORMATION

SCHEDULE OF AVERAGE DAILY ATTENDANCE

	<u>Annual ADA</u>	<u>Second Period ADA</u>
<i>Elementary School</i>		
Grades four through six-classroom based	26.93	26.41
<i>Middle School</i>		
Grades seven through eight-classroom based	61.93	60.73
<i>High School</i>		
Grades nine through twelve-classroom based	98.86	99.61
Total	<u>187.72</u>	<u>186.75</u>

The above schedule of average daily attendance is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

SCHEDULE OF INSTRUCTIONAL TIME

<u>Grade level</u>	<u>Minute requirement</u>	<u>Actual Minutes</u>	<u>Number of days</u>	<u>Status</u>
Grade 4	52,457	54,368	176	Complied
Grade 5	52,457	54,368	176	Complied
Grade 6	52,457	54,368	176	Complied
Grade 7	52,457	54,368	176	Complied
Grade 8	52,457	54,368	176	Complied
Grade 9	62,949	64,220	176	Complied
Grade 10	62,949	64,220	176	Complied
Grade 11	62,949	64,220	176	Complied
Grade 12	62,949	64,220	176	Complied

The above schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of Education Code Sections 46200 through 46206.

***SUPPLEMENTARY INFORMATION SECTION REQUIRED BY
GOVERNMENT AUDITING STANDARDS***

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Partners
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To the Board of Directors
Willow Education
dba Bay Area Technology School
Oakland, California

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

We have audited, in accordance with the auditing standards generally accepted in the United States of American 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 **Willow Education dba Bay Area Technology School**, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Willow Education dba Bay Area Technology 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 **Willow Education dba Bay Area Technology School's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Willow Education dba Bay Area Technology 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 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 **Willow Education dba Bay Area Technology School's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

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

Hill, Morgan and Associates, LLP

Carson, California
October 21, 2013

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Raymond Morgan, CPA

To the Board of Directors
Willow Education
dba Bay Area Technology School
Oakland, California

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

We have audited **Willow Education dba Bay Area Technology School's** compliance with the types of compliance requirements described in the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13, published by the Education Audit Appeals Panel, for the year ended June 30, 2013. The School's State programs are identified in the schedule below. Compliance with the requirements of laws, regulations, contracts, and grants is the responsibility of the School's management. Our responsibility is to express an opinion on **Willow Education dba Bay Area Technology School's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13. 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 below occurred. An audit includes examining, on a test basis, evidence about **Willow Education dba Bay Area Technology School's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	6	Not applicable
Teacher certification and misassignments	3	Not applicable
Kindergarten continuance	3	Not applicable
Independent study	23	Not applicable
Continuation education	10	Not applicable

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Time		
School districts	6	Not applicable
County offices of education	3	Not applicable
Instructional Materials:		
General requirements	8	Not applicable
Ratios of Administrative Employees to Teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Not applicable
School accountability report cards	3	Not applicable
Juvenile court schools	8	Not applicable
Class Size Reduction Program (Including Charter School):		
General requirements	7	Not applicable
Option one classes	3	Not applicable
Option two classes	4	Not applicable
District or charter schools with only one school		
Servicing K-3	4	Not applicable
After school education and safety program: (Including Charter Schools):		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not applicable
Charter Schools:		
Contemporaneous record of attendance	1	Yes
Mode of instructions	1	Yes
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based Instruction	3	Not applicable
Annual instructional minutes-classroom based	4	Yes

In our opinion, **Willow Education dba Bay Area Technology School** complied, in all material respects, with the compliance requirements referred to on the previous page for the year ended June 30, 2013.

This report is intended solely for the information and use of **Willow Education dba Bay Area Technology School's** management, the State Controller's Office, and the Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Morgan and Associates, LLP

Carson, California
October 21, 2013

WILL EDUCATION DBA BAY AREA TECHNOLOGY SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

None noted.

STATE AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings noted.

WILLOW EDUCATION
DBA BAY AREA TECHNOLOGY SCHOOL
RECONCILIATION OF UNAUDITED ACTUALS
WITH AUDITED FINANCIAL STATEMENTS
For the year ended June 30, 2013

June 30, 2013, annual financial and budget report fund balance:	\$ 120,657
Adjustments and reclassifications:	
Revenues	12,154
Depreciation expense	(2,667)
Other expenses	<u>(2,532)</u>
Total adjustments and reclassifications:	\$ <u>6,955</u>
June 30, 2013 audited financial statements net assets	\$ <u><u>127,612</u></u>

This schedule provides the information necessary to reconcile the net assets as reported on the Charter School Unaudited Actuals Financial Report-Alternative Form