

CIVICORPS

FINANCIAL STATEMENTS

**AND ADDITIONAL INFORMATION FOR THE
CIVICORPS CORPSMEMBER ACADEMY**

FOR THE YEAR ENDED JUNE 30, 2014

with

REPORTS OF INDEPENDENT AUDITORS

CIVICORPS

Table of Contents

Financial Statements

Report of Independent Auditors	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 11

Other Additional Information for the Civicorps Corpmember Academy

Statement of Financial Position	12
Statement of Activities and Changes in Net Assets	13
Statement of Cash Flows	14
Organization	15
Schedule of Average Daily Attendance	16
Schedule of Instructional Time	17
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 <i>Government Auditing Standards</i>	18
Report of Independent Auditors on State Compliance	19
Schedule of Findings and Questioned Costs	20
Status of Prior Year Audit Findings	21

Report of Independent Auditors

Board of Directors
Civcorps

Report on the Financial Statements

We have audited the accompanying financial statements of Civcorps Schools, dba Civcorps, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, 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 Civcorps as of June 30, 2014, 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 Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying other additional information, as 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 additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2014, on our consideration of Civcorps' 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 Civcorps' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Civcorps 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wilson Markle Stuckey Hardisty & Bott
October 6, 2014

CIVICORPS
Statement of Financial Position
As of June 30, 2014 and 2013

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	\$ 148,783	\$ 117,834
Accounts receivable	757,099	935,099
Prepaid expenses	61,900	53,913
Total current assets	967,782	1,106,846
Property and equipment, at cost		
Land	1,337,795	1,337,795
Building and improvements	437,503	319,370
Leasehold improvements	70,314	238,136
Equipment and furniture	1,651,468	2,083,034
Vehicles	793,322	1,906,270
	4,290,402	5,884,605
Accumulated depreciation	(1,578,717)	(3,032,824)
Property and equipment, net	2,711,685	2,851,781
Deposits and other assets	51,763	51,763
Total assets	\$ 3,731,230	\$ 4,010,390

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 100,549	\$ 263,203
Accrued liabilities	232,084	286,173
Deferred contract revenues	-	113,235
Line of credit, due within one year	500,000	120,000
Total current liabilities	832,633	782,611
Long-term liabilities		
Accrued liability	27,500	57,500
Deferred rent	160,897	177,392
Total long-term liabilities	188,397	234,892
Net assets		
Unrestricted	2,670,200	2,992,887
Temporarily restricted	40,000	-
Total net assets	2,710,200	2,992,887
Total liabilities and net assets	\$ 3,731,230	\$ 4,010,390

See accompanying notes

CIVICORPS
Statement of Activities and Changes in Net Assets
Years ended June 30, 2014 and 2013

	Unrestricted	Temporarily restricted	Totals	
			2014	2013
Revenues				
Grants and contracts revenues	\$ 3,145,344	\$ -	\$ 3,145,344	\$ 3,411,133
Charter school revenues	539,497	116,325	655,822	774,337
Foundation grants and donations	2,043,675	40,000	2,083,675	1,662,918
Gala event, net of direct expenses of \$17,529	38,082	-	38,082	44,947
Other income	6,148	-	6,148	4,443
Net assets released from restrictions	116,325	(116,325)	-	-
Total revenues	5,889,071	40,000	5,929,071	5,897,778
Expenses				
Salaries, wages and benefits				
Staff	2,669,903	-	2,669,903	2,648,860
Corpsmembers	1,486,686	-	1,486,686	1,519,519
Total salaries, wages and benefits	4,156,589	-	4,156,589	4,168,379
Non-personnel related costs				
Communications	50,033	-	50,033	48,472
Conference, training and travel	73,794	-	73,794	49,126
Dues and subscriptions	40,850	-	40,850	39,967
Fleet	317,062	-	317,062	262,836
Insurance	54,570	-	54,570	61,297
Occupancy	712,693	-	712,693	764,518
Postage and shipping	2,686	-	2,686	2,944
Printing and publications	71,464	-	71,464	28,488
Professional services	159,653	-	159,653	156,870
Supplies	261,593	-	261,593	214,832
Taxes, permits and fees	4,779	-	4,779	27,452
Depreciation	291,325	-	291,325	359,032
Interest expense	14,666	-	14,666	14,765
Total non-personnel related costs	2,055,169	-	2,055,169	2,030,599
Total expenses	6,211,758	-	6,211,758	6,198,978
Change in net assets	(322,687)	40,000	(282,687)	(301,200)
Net assets, beginning of year	2,992,887	-	2,992,887	3,294,087
Net assets, end of year	\$ 2,670,200	\$ 40,000	\$ 2,710,200	\$ 2,992,887

See accompanying notes

CIVICORPS
Statement of Cash Flows
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (282,687)	\$ (301,200)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	291,325	359,032
Gain on disposal of assets	(5,933)	-
Changes in operating assets and liabilities:		
Accounts receivable	178,000	302,445
Prepaid expenses	(7,987)	35,607
Accounts payable	(162,654)	84,991
Accrued liabilities	(54,089)	(62,618)
Deferred contract revenues	(113,235)	33,894
Deferred rent	(16,495)	(4,472)
Net cash provided (used) by operating activities	<u>(173,755)</u>	<u>447,679</u>
Cash flows from investing activities:		
Building and leasehold improvements	(118,134)	(319,370)
Purchases of vehicle and equipment	(64,375)	(135,239)
Insurance proceeds from disposal of assets	37,213	-
Increase in deposits and other assets	-	8,834
Net cash used by investing activities	<u>(145,296)</u>	<u>(445,775)</u>
Cash flows from financing activities:		
Draws on line of credit, net of principal payments	380,000	30,000
Payments on long-term accrued liability	(30,000)	(30,000)
Net cash provided by financing activities	<u>350,000</u>	<u>-</u>
Net change in cash and cash equivalents	30,949	1,904
Cash and cash equivalents, beginning of year	<u>117,834</u>	<u>115,930</u>
Cash and cash equivalents, end of year	<u>\$ 148,783</u>	<u>\$ 117,834</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 14,666</u>	<u>\$ 14,765</u>

See accompanying notes

CIVICORPS
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of significant accounting policies

Organization and nature of activities

Civicorps Schools, dba Civicorps, a local conservation corps, provides youth aged 18-26 in Oakland's East Bay with a premier high school, job training and college preparation experience. Its students are disadvantaged youth who have previously dropped out of school and face multiple barriers to success.

Founded in 1983, Civicorps was one of the first local conservation corps in the country providing meaningful outdoor work experiences to youth in the East Bay's parks and natural areas. Within a number of years of its founding, it became clear that one of the most critical needs was the lack of real educational opportunities for youth that had dropped out of school without a high school diploma. After years of preparation, in 1995, Civicorps was granted a charter by the Oakland Unified School District to open the only high school specifically for youth aged 18-26. In recognition of the quality of the academic preparation and teaching, Civicorps Academy was granted accreditation by the Western Association of Schools and Colleges (WASC) in 2012, making it the only accredited high school program for 18-26 year olds in the East Bay.

Civicorps runs two distinct social enterprises with triple bottom line goals—profitability, social benefit and environmental impact. The Recycling Program and Environmental Job Training Program provide pathways to careers in transportation, recycling, horticulture, warehouse logistics and wildland firefighting.

The three main programs within the Civicorp organization include:

Civicorps Academy

As described above, the Civicorps Academy is a charter school within the Oakland Unified School District and it is accredited through the WASC. More importantly, it is a high school that serves an underprivileged population that might not have many other options for educational opportunities within their local communities. The Academy provides an environment that links recovery, community improvement, and intense individualized instruction with an emphasis on Math, English, Science, and Social Studies.

Job Training Program

The Job Training Program provides students with the opportunity to gain work experience and job skills in relevant industries. Students work towards their

CIVICORPS
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of significant accounting policies (continued)

Job Training Program (continued)

high school diplomas and at the same time gain experience in natural and urban resource work.

Recycling Training Program

The Civicorps Recycling Training Program processes and sells recyclables that it collects from commercial enterprises and institutions in the East Bay. Civicorps also collects commercial organic green waste. Through these services, Civicorps provides valuable job training for drivers and processors leading to well-paying jobs.

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related obligation is incurred.

Revenues

Certain support for the activities of Civicorps may be directed by grantors to specific periods, types of services or geographical areas. Donations restricted by the grantor for particular purposes are deemed to be earned and reported as revenue when Civicorps has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as temporarily restricted net assets in accordance with the accounting principles generally accepted in the United States.

Cash and cash equivalents

Cash consists of amounts on deposit with a commercial bank, in both interest bearing and non-interest bearing accounts, all available on demand, or within 90 days of demand.

Allowance for uncollectible accounts receivable

Civicorps uses the allowance method to account for uncollectible accounts receivable. Under this method, Civicorps reviews all receivables for any problems with collection. If Civicorps feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered

CIVICORPS
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of significant accounting policies (continued)

Allowance for uncollectible accounts receivable (continued)

uncollectible and is written off against the allowance. At June 30, 2014, Civicorps concluded that an allowance for doubtful accounts was not necessary.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated productive lives of the assets of 5 to 10 years for machinery and equipment. Leasehold improvements are amortized over the shorter of the assets' useful life or the remaining length of the lease. Civicorps generally expenses outlays of under \$1,000 in the period incurred.

Income taxes

The Internal Revenue Service (IRS) and State of California Franchise Tax Board approved Civicorps as exempt from federal income tax under the Internal Revenue Code (IRC) and from California bank and corporation taxes under the California Revenue and Taxation Code. In addition, the IRS approved Civicorps to receive contributions that qualify for the charitable contribution deduction under the IRC and as a publicly supported organization as described in the IRC. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law. Management of Civicorps concluded that no activities of Civicorps jeopardized its exemption from income taxes, its classification as a "public charity" or subjected Civicorps to taxes on unrelated business income. Consequently, Civicorps did not provide for any income taxes.

Civicorps follows accounting principles generally accepted in the United States relating to the accounting for uncertainty in income taxes. Adoption of these provisions did not have any impact on Civicorps' liability for unrecognized tax liabilities. Management believes that Civicorps has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2010 to 2013 are open for examination by the IRS and years 2009 to 2013 by the State of California Franchise Tax Board.

Prior year totals

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. Accordingly, such information

CIVICORPS
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of significant accounting policies (continued)

Prior year totals (continued)

should be read in conjunction with the organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Fair value measurements

Civicorps uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority. Civicorps uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Civicorps measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Civicorps only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

Civicorps values all contributions at fair value when promised. Civicorps only revalues debt and marketable equity securities at least as often as it presents financial statements. For contributions valued initially at fair value but not revalued, Civicorps treats the initial fair value as cost in subsequent financial statements.

Management of Civicorps estimates that the aggregate net fair value of reported financial instruments (including receivables, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature or bear interest at current market rates.

CIVICORPS
Notes to Financial Statements
June 30, 2014

Note 2 - Bank line of credit

In March of 2009, Civicorps entered into an agreement with a bank to provide a line of credit not to exceed \$750,000. That agreement was modified in February 2013 to an amount not to exceed \$500,000. This loan was subsequently paid off.

In October of 2013, an agreement for a line of credit with a different retail bank was negotiated. The new line of credit is not to exceed \$750,000. Of the available amount, \$500,000 was outstanding as of June 30, 2014. Borrowings are secured by accounts receivable and all other assets of Civicorps. Interest on amounts borrowed is due monthly at 1.5% above the bank's prime rate (3.25% prime rate at June 30, 2014). The line of credit matures on October 5, 2014 and can be extended annually at the discretion of the retail bank.

Note 3 - Temporarily Restricted Net Assets

During the year ended June 30, 2014, Civicorps received certain donations that were restricted due to time. These temporarily restricted net assets reconcile at June 30, 2014, as follows:

<u>Program</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Charter School Facility Fund	\$ -	\$116,325	\$116,325	\$ -
Altamont Education Advisory Board	-	20,000	-	20,000
Y & H Soda Foundation	-	20,000	-	20,000
Totals	<u>\$ -</u>	<u>\$156,325</u>	<u>\$116,325</u>	<u>\$40,000</u>

Note 4 - Retirement plans

In September 2000, Civicorps' Board of Directors approved the creation of a Supplemental Executive Retirement Plan under Section 457(f) of the Internal Revenue Code. Contributions to the plan of \$22,000 were accrued annually for years ended June 30, 2001 through 2005. At June 30, 2014, a total of \$57,500 is recorded as an accrued liability in the accompanying statement of financial position, representing the unfunded balance of the plan.

CIVICORPS
Notes to Financial Statements
June 30, 2014

Note 4 - Retirement plans (continued)

Civicorps offers eligible employees a retirement plan pursuant to Section 403(b) of the Internal Revenue Code. Under this plan, Civicorps may match a portion of an employee's contribution. No matching contributions were paid to the plan for the year ended June 30, 2014.

Note 5 - Commitments

Rental expense for office and program facilities for the year ended June 30, 2014 was \$529,791. Future minimum payments under non-cancelable operating leases for the years ending June 30 are as follows:

2015	\$ 523,860
2016	529,360
2017	543,868
2018	558,592
2019 and thereafter	831,344
Total lease commitments	<u>\$2,987,024</u>

Deferred rent of \$160,897 in the accompanying statement of financial position results from the excess of rent expense recorded on a straight-line basis over the lease term above the amount of the monthly payments due during the earlier periods of the lease term.

Note 6 - Concentrations, risks and uncertainties

At various times during the year ended June 30, 2014, cash balances at individual banks exceeded federal insurance limits.

Civicorps has received support that is subject to audit or review by the grantor agencies. Management believes that Civicorps has complied with all aspects of the grant provisions and that disallowed costs, if any, would be insignificant to the financial position of Civicorps.

Civicorps receives significant funding pursuant to cost reimbursement contracts with the State of California. As of June 30, 2014 these contracts represented

CIVICORPS
Notes to Financial Statements
June 30, 2014

Note 6 - Concentrations, risks and uncertainties (continued)

approximately 25% of Civicorps' total revenues and any decrease in this funding could have a significant impact on Civicorps programs.

Contract revenues in the accompanying statement of activities and changes in net assets are earned under fee for service contracts principally with local governmental agencies in the San Francisco Bay Area. As of June 30, 2014 these contracts represented approximately 53% of Civicorps' total revenues and any decrease in these contractual services could have a significant impact on Civicorps programs.

Note 7 - Subsequent events

Civicorps evaluated subsequent events for recognition and disclosure through October 6, 2014, the date which these financial statements were available to be issued. Management concluded that no other material subsequent events have occurred since June 30, 2014 that required recognition or disclosure in such financial statements.

OTHER ADDITIONAL INFORMATION

CIVICORPS
Civicorps Corpmember Academy
Statement of Financial Position
June 30, 2014

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	\$ 46,635	\$ 21,384
Accounts receivable	82,817	100,738
Total current assets	129,452	122,122
Property and equipment, at cost		
Leasehold improvements	35,001	35,001
Accumulated depreciation	(35,001)	(35,001)
Property and equipment, net	-	-
Total assets	\$ 129,452	\$ 122,122

LIABILITIES AND NET ASSETS

Current liabilities		
Accrued liabilities	\$ 5,302	\$ 5,617
Amounts due to other programs	-	-
Total current liabilities	5,302	5,617
Net assets		
Unrestricted	124,150	116,505
Temporarily restricted	-	-
Total net assets	124,150	116,505
Total liabilities and net assets	\$ 129,452	\$ 122,122

CIVICORPS
Civicorps Corpmember Academy
Statement of Activities and Changes in Net Assets
Year ended June 30, 2014

	Unrestricted	Temporarily restricted	Totals 2014	2013
Revenues				
State of California				
General purpose entitlement	\$ 297,604	\$ -	\$ 297,604	\$ 265,314
Categorical Block Grant	87,049	-	87,049	34,980
Other state revenues	41,064	47,385	88,449	220,983
Alameda County				
Transfers in lieu of property taxes	113,780	-	113,780	244,492
Federal revenues - No Child Left Behind	-	-	-	-
Grants and donations	639,375	-	639,375	386,430
Net assets released from restrictions	47,385	(47,385)	-	-
Total revenues	1,226,257	-	1,226,257	1,152,199
Expenses				
Salaries, wages and benefits				
Certificated	520,546	-	520,546	500,175
Supervisory, administrative and other	377,247	-	377,247	347,160
Total salaries, wages and benefits	897,793	-	897,793	847,335
Books and supplies	34,633	-	34,633	22,308
Services and outside consultants	7,097	-	7,097	27,324
Other operating expenses	279,089	-	279,089	252,375
Depreciation	-	-	-	-
Total expenses	1,218,612	-	1,218,612	1,149,342
Change in net assets	7,645	-	7,645	2,857
Net assets, beginning of year	116,505	-	116,505	113,648
Net assets, end of year	\$ 124,150	\$ -	\$ 124,150	\$ 116,505

CIVICORPS
Civicorps Corpmember Academy
Statement of Cash Flows
Year ended June 30, 2014

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 7,645	\$ 2,857
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	-	-
Changes in current assets and liabilities		
Accounts receivable	17,921	49,347
Prepaid expenses and other current assets		
Accounts payable and accrued liabilities	(315)	(449)
Deferred revenues	-	-
Amounts due other programs	-	(50,000)
Net cash provided by operating activities	<u>25,251</u>	<u>1,755</u>
Net increase in cash and cash equivalents	25,251	1,755
Cash and cash equivalents, beginning of year	<u>21,384</u>	<u>19,629</u>
Cash and cash equivalents, end of year	<u>\$ 46,635</u>	<u>\$ 21,384</u>

CIVICORPS
Civicorps Corpsmember Academy
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the year ended June 30, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
Grade 9 through 12	<u>66.45</u>	<u>67.82</u>
Classroom based instruction ADA	<u><u>66.45</u></u>	<u><u>67.82</u></u>

CIVICORPS
Civics Corpsmember Academy
SCHEDULE OF INSTRUCTIONAL TIME
For the year ended June 30, 2014

<u>Grade Level</u>	<u>2013-14 Minutes</u>		<u>Number of</u> <u>Days</u> <u>Single-track</u>	<u>Number of</u> <u>Days</u> <u>Multi-track</u>	<u>Status</u>
	<u>Requirement</u>	<u>Actual</u>	<u>Calendar</u>	<u>Calendar</u>	
Grades 9 through 12	62,949	74,385	180	Not Applicable	In compliance

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

Board of Directors
Civicorps

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 Civicorps Schools, dba Civicorps (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 6, 2014.

Internal Control over Financial Reporting

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

Wilson Markle Stuckey Hardesty & Bott
Larkspur, CA
October 6, 2014

Independent Auditor's Report on State Compliance

Board of Directors
Civicorps

Report on State Compliance

We have audited Civicorps Schools', dba Civicorp, compliance with the types of compliance requirements described in *Standards and Procedures for Audits of California K-12 Local Educational Agencies for fiscal year 2013-14*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the Civicorps' state programs identified below for the fiscal year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance as identified in the State's audit guide *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014* published by the Education Audit Appeals Panel. 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 2013-2014*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Civicorps' State programs noted below. An audit includes examining, on a test basis, evidence about Civicorps' 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 Civicorps' compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Civicorps' compliance with the laws and regulations applicable to the following items:

Description	Standards and Procedures for Audits of California K-12	
	Local Educational Agencies 2013-14	Procedures Performed
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction	1	Yes
Nonclassroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes-Classroom Based	4	Yes

Opinion on State Compliance

In our opinion, Civicorps complied, in all material respects, with the compliance requirements referred to above that are applicable to the year ended June 30, 2014.

This report is intended solely for the information and use of the management, the members of the governing board, others within the entity, the State Controller's Office and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Wilson Markle Stuckey Hardesty & Bolt
October 6, 2014

CIVICORPS
Civicorps Corpsmember Academy
Schedule of Findings and Questioned Costs
June 30, 2014

No matters were reported.

CIVICORPS
Civicorps Corpsmember Academy
Status of Prior Year Findings and Questioned Costs
June 30, 2014

There were no material findings and questioned costs in the prior year.