

**CITIZENS OF THE WORLD  
CHARTER SCHOOL**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2013**

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

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**JUNE 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Citizens of the World Charter Schools – Los Angeles  
(A California Non-Profit Public Benefit Corporation)  
Los Angeles, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Citizens of the World Charter Schools – Los Angeles (CWC Los Angeles) (A California Non-Profit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2013, 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 audits. 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; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, issued by the California Education Audit Appeals Panel as regulations. 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 CWC Los Angeles' 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 CWC Los Angeles' 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 CWC Los Angeles as of June 30, 2013, 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**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CWC Los Angeles' basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as referenced in the previous paragraph is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic 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, 2013, on our consideration of CWC Los Angeles' 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 CWC Los Angeles' internal control over financial reporting and compliance.

*Vannink, Tai, Day & Co., LLP*

Rancho Cucamonga, California  
November 13, 2013

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***FINANCIAL STATEMENTS***

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**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013**

<b>ASSETS</b>	Hollywood	Silver Lake	Mar Vista
Current Assets			
Cash	\$ 30,976	\$ 4,256	\$ 5,522
Accounts receivable	555,163	766,914	5,000
Intercompany receivables	-	-	-
Prepaid expenses	906	13,705	-
Total Current Assets	<u>587,045</u>	<u>784,875</u>	<u>10,522</u>
Non-Current Assets			
Fixed assets	10,401	75,625	-
Less: accumulated depreciation	<u>9,873</u>	<u>-</u>	<u>-</u>
Total Non-Current Assets	<u>528</u>	<u>75,625</u>	<u>-</u>
Total Assets	<u>\$ 587,573</u>	<u>\$ 860,500</u>	<u>\$ 10,522</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 155,559	\$ 136,216	\$ 5,249
Intercompany payables	-	25,000	-
Current portion of long-term obligations	-	360,000	-
Total Current Liabilities	<u>155,559</u>	<u>521,216</u>	<u>5,249</u>
Long-Term Obligations			
Non-current portion of long-term obligations	-	362,500	-
Total Liabilities	<u>155,559</u>	<u>883,716</u>	<u>5,249</u>
<b>NET ASSETS (DEFICIT)</b>			
Unrestricted	432,014	(23,216)	5,273
Total Net Assets (Deficit)	<u>432,014</u>	<u>(23,216)</u>	<u>5,273</u>
Total Liabilities and Net Assets	<u>\$ 587,573</u>	<u>\$ 860,500</u>	<u>\$ 10,522</u>

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

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Regional Support Office	Total
\$ 54,918	\$ 95,672
-	1,327,077
25,000	25,000
-	14,611
<u>79,918</u>	<u>1,462,360</u>

-	86,026
-	9,873
<u>-</u>	<u>76,153</u>

<u>\$ 79,918</u>	<u>\$ 1,538,513</u>
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\$ 79,918	\$ 376,942
-	25,000
-	360,000
<u>79,918</u>	<u>761,942</u>

-	362,500
<u>79,918</u>	<u>1,124,442</u>

-	414,071
<u>-</u>	<u>414,071</u>

<u>\$ 79,918</u>	<u>\$ 1,538,513</u>
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The accompanying notes are an integral part of these financial statements.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>REVENUES</b>	Hollywood	Silver Lake	Mar Vista
Revenue limit sources			
State apportionment	\$ 911,848	\$ 1,142,985	\$ -
In-lieu property taxes	346,116	-	-
Federal revenue	164,599	381,459	5,000
State revenue	372,609	322,460	-
Local revenues	510,821	244,046	5,522
Total Revenue	<u>2,305,993</u>	<u>2,090,950</u>	<u>10,522</u>
<b>EXPENSES</b>			
Program services			
Teacher salaries and benefits	1,320,142	1,215,933	-
Other student services	256,100	56,862	-
Educational programs	6,890	4,624	-
Student supplies	18,294	89,675	-
Student nutrition	63,080	74,599	-
Special education fee	73,757	67,025	-
Depreciation	797	-	-
Capital outlay	10,769	25,205	149
Subtotal	<u>1,749,829</u>	<u>1,533,923</u>	<u>149</u>
Management and general			
Clerical salaries and benefits	178,539	52,875	-
District supervisory fee	13,892	12,780	-
Occupancy	104,122	180,269	-
Insurance	6,038	6,038	-
Operating expenses	92,798	140,601	5,100
Subtotal	<u>395,389</u>	<u>392,563</u>	<u>5,100</u>
Total Expenses	<u>2,145,218</u>	<u>1,926,486</u>	<u>5,249</u>
<b>Other transfers</b>			
Interfund Transfers In	187,680	187,680	-
Interfund Transfers Out	-	-	-
Total Other Transfers	<u>187,680</u>	<u>187,680</u>	<u>-</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	(26,905)	(23,216)	5,273
<b>NET ASSETS, BEGINNING OF YEAR</b>	458,919	-	-
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ 432,014</u>	<u>\$ (23,216)</u>	<u>\$ 5,273</u>

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



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Regional Support Office	Total
\$ -	\$ 2,054,833
-	346,116
-	551,058
-	695,069
3,310	763,699
<u>3,310</u>	<u>4,410,775</u>

134,191	2,670,266
-	312,962
-	11,514
-	107,969
-	137,679
-	140,782
-	797
-	36,123
<u>134,191</u>	<u>3,418,092</u>

37,853	269,267
-	26,672
9,900	294,291
16,908	28,984
<u>179,818</u>	<u>418,317</u>
<u>244,479</u>	<u>1,037,531</u>
<u>378,670</u>	<u>4,455,623</u>

-	375,360
<u>(375,360)</u>	<u>(375,360)</u>
<u>(375,360)</u>	<u>-</u>

-	(44,848)
-	458,919
<u>\$ -</u>	<u>\$ 414,071</u>

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Hollywood	Silver Lake	Mar Vista
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Increase (Decrease) in unrestricted net assets	\$ (26,905)	\$ (23,216)	\$ 5,273
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities			
Depreciation expense	797	-	-
Changes in operating assets and liabilities			
Increase in accounts receivable	(219,032)	(766,914)	(5,000)
Increase in prepaid expenditures	8,714	(13,705)	-
Increase in accounts payable	67,164	161,216	5,249
Net Cash Provided (Used) by Operating Activities	<u>(169,262)</u>	<u>(642,619)</u>	<u>5,522</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	-	(75,625)	-
Net Cash Used by Investing Activities	<u>-</u>	<u>(75,625)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan proceeds	-	722,500	-
Net Cash Provided by Financing Activities	<u>-</u>	<u>722,500</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(169,262)	4,256	5,522
<b>CASH, BEGINNING OF YEAR</b>	200,238	-	-
<b>CASH, END OF YEAR</b>	<u>\$ 30,976</u>	<u>\$ 4,256</u>	<u>\$ 5,522</u>

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

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Regional Support Office	Total
\$ -	\$ (44,848)
-	797
(25,000)	(1,015,946)
-	(4,991)
79,918	313,547
<u>54,918</u>	<u>(751,441)</u>
-	<u>(75,625)</u>
<u>-</u>	<u>(75,625)</u>
-	<u>722,500</u>
<u>-</u>	<u>722,500</u>
54,918	(104,566)
-	200,238
<u>\$ 54,918</u>	<u>\$ 95,672</u>

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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***NOTE 1 - ORGANIZATION AND MISSION***

As of July 1, 2012, Citizens of the World Charter Schools - Los Angeles (CWC Los Angeles) had approved a merger with Citizens of the World Charter Co. CWC Los Angeles is the surviving corporation of this merger. CWC Los Angeles has petitioned for three charters through Los Angeles Unified School District as described below:

**Citizens of the World Charter (CWC Hollywood)**

Charter school number authorized by the State: 1200

CWC Hollywood located on 1316 N. Bronson Avenue, Los Angeles, California, opened on September 13, 2010, and currently serves 256 students in grades kindergarten through third. The mission of the CWC Hollywood is to provide a socio-economically, culturally, and racially diverse community of students in the heart of Hollywood with an intellectually challenging, experiential learning environment that develops each individual student's confidence, potential, and individual responsibility as citizens of the world.

**Citizens of the World 2 (CWC Silver Lake)**

Charter school number authorized by the State: 1413

CWC Silver Lake located on three sites at 1511 Micheltorena Street, Los Angeles, California, 90026; 1530 N. Wilton Place, Los Angeles, California, 90028; and 5620 De Longpre Avenue, Los Angeles, California, 90028, opened on September 4, 2012, and currently serves 241 students in grades kindergarten through third. The mission of CWC Silver Lake is to provide a socio-economically, culturally, and racially diverse community of students in the Silver Lake/Echo Park neighborhoods with an intellectually challenging, experiential learning environment that develops each individual student's confidence, potential, and individual responsibility as citizens of the world.

**Citizens of the World 3 (CWC Mar Vista)**

Charter school number authorized by the State: 1414

CWC Mar Vista located on 11735 Braddock Drive, Los Angeles, California, 90230, will open on August 27, 2013, and will begin operations with grades kindergarten through second during the 2013-2014 school year. The mission of CWC Mar Vista is to provide a socio-economically, culturally, and racially diverse community of students in the Mar Vista neighborhood with an intellectually challenging, experiential learning environment that develops each individual student's confidence, potential, and individual responsibility as citizens of the world.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**Other Related Entities**

**Citizens of the World Charter Schools** – Citizens of the World Charter Schools (CWCS), a separate 501(c)(3) is an organization that is developing a national network of Citizens of the World schools, including the schools operated by CWC Los Angeles. CWCS is not involved in the direct management or operations of CWC Los Angeles. Beginning in 2013-2014, CWC Los Angeles will make payments to CWCS, in accordance with the license and affiliation agreement.

**Joint Powers Agency and Risk Management Pools** - CWC Los Angeles is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) dba CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of CWC Los Angeles. Additional information is presented in Note 11 to the financial statements.

***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The significant policies followed by CWC Los Angeles are described below to enhance the financial statements.

**Financial Statement Presentation**

CWC Los Angeles is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. CWC Los Angeles had no temporarily or permanently restricted net assets, as of June 30, 2013. In addition, CWC Los Angeles is required to present a Statement of Cash Flows.

**Accounting Method - Basis of Accounting**

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. CWC Los Angeles uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized in the accounting period in which the liability is incurred.

**Revenue Recognition**

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

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions." During 2012-2013, CWC Los Angeles did not receive any donor-restricted contributions.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**Income Taxes**

CWC Los Angeles is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2009 and forward may be audited by regulatory agencies, however, CWC Los Angeles is not aware of any such actions at this time.

CWC Los Angeles have adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

**Cash**

For purposes of the Statement of Cash Flows, CWC Los Angeles considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2013, management had determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

**Prepaid Expenses**

Prepaid expenses represent amounts paid in advance of receiving goods or services. CWC Los Angeles have reported prepaid items either when purchased or during the benefiting period.

**Fixed Assets**

It is CWC Los Angeles' policy to capitalize individual property and equipment purchases over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Furniture and equipment are depreciated using the straight-line method, over 3 to 5 years. As of June 30, 2013, depreciation expense was \$797.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the Charter Schools prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when CWC Los Angeles has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Certain grants received before the eligibility requirements are met are recorded as deferred revenue.

**Donated Services, Goods, and Facilities**

A substantial number of volunteers have donated their time and experience to CWC Los Angeles' program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Unrestricted/Designated Net Assets**

Designations of the ending net assets indicated tentative plans for financial resource utilization in a future period. As of June 30, 2013, CWC Los Angeles has no designations.

**NOTE 3 - CASH**

Cash at June 30, 2013, consisted of the following:

	Reported Amount					
	Hollywood	Silver Lake	Mar Vista	Regional Support Office	Total Book Balance	Bank Balance
Deposits						
Cash on hand and in banks	\$ 30,976	\$ 4,256	\$ 5,522	\$ 54,918	\$ 95,672	\$ 173,503

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). CWC Los Angeles maintains cash in bank deposit accounts that at times may exceed federally insured limits. CWC Los Angeles had not experienced any losses in such accounts. At June 30, 2013, CWC Los Angeles did not have a balance in excess of FDIC insured limits. Management believes CWC Los Angeles is not exposed to any significant risk related to cash.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2013, consisted of the following:

	Hollywood	Silver Lake	Mar Vista	Total
Revenue limit sources				
General purpose	\$ 430,500	\$ 347,574	\$ -	\$ 778,074
Categorical block grant	52,231	46,933	-	99,164
In-lieu property taxes	10,248	8,937	-	19,185
Total Revenue Limit Sources	<u>492,979</u>	<u>403,444</u>	<u>-</u>	<u>896,423</u>
Federal receivable	22,542	320,767	5,000	348,309
State receivable	16,743	10,407	-	27,150
Lottery	22,899	32,296	-	55,195
Total Accounts Receivable	<u>\$ 555,163</u>	<u>\$ 766,914</u>	<u>\$ 5,000</u>	<u>\$ 1,327,077</u>

**NOTE 5 - PREPAID EXPENSES**

Prepaid expenses at June 30, 2013, consisted of the following:

	Hollywood	Silver Lake	Mar Vista	Regional Support Office	Total
Prepaid rent, insurance, and other miscellaneous vendors	<u>\$ 906</u>	<u>\$ 13,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,611</u>



**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 6 - FIXED ASSETS**

Fixed assets at June 30, 2013, consisted of the following:

	Hollywood	Silver Lake	Mar Vista	Regional Support Office	Total
Site improvements	\$ 6,476	\$ -	\$ -	\$ -	\$ 6,476
Computer equipment	1,219	-	-	-	1,219
Building improvements	2,706	-	-	-	2,706
Work in progress	-	75,625	-	-	75,625
	10,401	75,625	-	-	86,026
Less: accumulated depreciation	(9,873)	-	-	-	(9,873)
Total Fixed Assets	\$ 528	\$ 75,625	\$ -	\$ -	\$ 76,153

During the year ended June 30, 2013, \$797 was charged to depreciation expense.

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2013, consisted of the following:

	Hollywood	Silver Lake	Mar Vista	Regional Support Office	Total
Salaries and benefits	\$ 15,380	\$ 16,455	\$ -	\$ 3,060	\$ 34,895
Vendor payables	133,533	112,816	5,249	76,858	328,456
Due to Los Angeles Unified School District	-	2,000	-	-	2,000
Due to grantor	6,646	4,945	-	-	11,591
Total Accounts Payable	\$ 155,559	\$ 136,216	\$ 5,249	\$ 79,918	\$ 376,942

**NOTE 8 - LONG TERM OBLIGATIONS**

**Line of Credit**

CWC Los Angeles acquired a line of credit from Pacific Western Bank on March 27, 2013, in the amount of \$150,000, with a variable interest rate of at least 5.5 percent and a maturity date of September 30, 2013. As of June 30, 2013, the balance is \$150,000.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**Notes Payable**

CWC Los Angeles, on behalf of CWC Silver Lake, entered into an agreement on June 13, 2013, with Citizens of the World Charter Schools, a separate California nonprofit public benefit corporation, for a loan in the amount of \$120,000 bearing no interest. The full amount shall be due on July 31, 2013.

CWC Los Angeles, on behalf of CWC Silver Lake, entered into an agreement on June 30, 2012, with Citizens of the World Charter Schools, a separate California nonprofit public benefit corporation, for a loan in the amount of \$452,500 bearing no interest. The Charter had received \$2,500 in excess of the original loan amount. Annual payments in the amount of \$90,000 and an additional onetime payment of \$2,500 shall be due on or before May 31 for a term of five years beginning in the 2013-2014 fiscal year.

Future payments are as follows:

Repayment Year	Principal
2014	\$ 210,000
2015	90,000
2016	90,000
2017	90,000
2018	92,500
Total	<u>\$ 572,500</u>

**NOTE 9 - OPERATING LEASES**

CWC Hollywood renewed its lease agreement on April 1, 2012, with Los Angeles Unified School District to occupy Le Conte Middle School for its main campus location for the amount of \$104,122. The term of this agreement shall expire on June 30, 2013.

CWC Silver Lake entered into a lease agreement on August 2, 2012, with Los Angeles Unified School District to occupy Grant Elementary School for one of its campus location for the amount of \$56,020. The term of this agreement shall expire on June 30, 2013.

CWC Silver Lake entered into a lease agreement on July 30, 2012, with Los Angeles Unified School District to occupy Micheltorena Elementary School for one of its campus location for the amount of \$44,119. The term of this agreement shall expire on June 30, 2013.

CWC Silver Lake entered into a lease agreement with Assistance League of Southern California for the use of property located at 5620 De Longpre Avenue, Los Angeles, California. Monthly payments in the amount of \$7,284 shall be made commencing on August 20, 2012. The term of the agreement shall expire on August 19, 2017.

Total rent expense for the CWC-LA was \$294,291.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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Future payments are as follows:

Year Ending June 30,	Lease Payments
2014	\$ 249,284
2015	271,260
2016	279,400
2017	287,780
2018	48,080
Total	<u>\$ 1,135,804</u>

***NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS***

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS).

**CalSTRS**

**Plan Description**

CWC Los Angeles contributes to CalSTRS through the Los Angeles County Office of Education, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California, 95605.

**Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and CWC Los Angeles is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. CWC Los Angeles' contribution to CalSTRS for the fiscal years ending June 30, 2013, was \$143,463 and equals 100 percent of the required contributions for that year.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the CWC Los Angeles. These payments consist of State General Fund contributions to CalSTRS in the amount of \$27,751 calculated as 5.176 percent of the CWC Los Angeles' 2010-2011 creditable compensation subject to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, for the 2012-2013 year these amounts have been recorded in these financial statements.

***NOTE 11 - PARTICIPATION IN JOINT POWERS AUTHORITY***

CWC Los Angeles is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) dba CharterSAFE for risk management services for workers' compensation insurance and charter school liability insurance. The relationship between CWC Los Angeles and the CharterSAFE is such that the CharterSAFE is not considered a component unit of CWC Los Angeles for financial reporting purposes.

The CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between the CharterSAFE and CWC Los Angeles are included in these statements. Audited financial statements for the CharterSAFE were not available for fiscal year 2012-2013 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2013, CWC Los Angeles made payments of \$54,804 to CharterSAFE for services received. At June 30, 2013, CWC Los Angeles had no recorded accounts receivable or accounts payable to the CharterSAFE.

***NOTE 12 - CONTINGENCIES***

CWC Los Angeles has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

**Litigation**

CWC Los Angeles has no outstanding claims or litigation.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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***NOTE 13 - SUBSEQUENT EVENTS***

CWC Los Angeles' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 13, 2013, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions (except noted below) that would have a material impact on the current year financial statements.

CWC Mar Vista located at 11735 Braddock Drive, Los Angeles, California, 90230 will begin operations with grades kindergarten through second grade on August 27, 2013.

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***SUPPLEMENTARY INFORMATION***

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**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through Los Angeles County Special Education Local Plan Area:			
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	\$ 91,907
No Child Left Behind Act (NCLB):			
Title I, Part A, Basic Grants Low-Income and Neglected - Reallocation Funds	84.010	14981	24,999
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	1,110
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	15,959
Title V, Part B - Public Charter Schools Grant Program	84.282	14531	342,588
Total U.S. Department of Education			<u>476,563</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	74,495
Total U.S. Department of Agriculture			<u>74,495</u>
Total Federal Programs			<u>\$ 551,058</u>

See accompanying note to supplementary information.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
JUNE 30, 2013**

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**ORGANIZATION**

CWC Los Angeles operated two elementary schools and will be opening a third elementary school in August 2013. All three schools are authorized by the Los Angeles Unified School District. The charters were granted on the dates listed below:

CWC Hollywood – April 2010  
CWC Silver Lake – February 2012  
CWC Mar Vista – February 2012

**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Josh McLaughlin	President	June 30, 2015
Eugene Straub	Treasurer/Secretary	June 30, 2014
Derrick Chau	Member	June 30, 2014
Yvette King-Berg	Member	June 30, 2014
Heather McManus	Member	June 30, 2014
Craig Tessler, CPA	Member	June 30, 2015

**ADMINISTRATION**

Amy Dresser Held	Executive Director
Marissa Berman	Founding Principal, CWC Hollywood
Dr. Ramona Patrick	Founding Principal, CWC Silver Lake
Alison Kerr	Founding Principal, CWC Mar Vista

See accompanying note to supplementary information.



**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF APPORTIONMENT DAYS OF ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

	CWC Hollywood Final Report	
	Second Period Report	Annual Report
<b>ELEMENTARY SCHOOL - Total</b>		
Kindergarten	61.35	61.73
First through third	184.84	183.70
Total Elementary School - Total	<u>246.19</u>	<u>245.43</u>
<b>ELEMENTARY SCHOOL - Classroom Based Instruction</b>		
Kindergarten	61.35	61.73
First through third	184.73	183.63
Total Elementary School - Classroom Based Instruction	<u>246.08</u>	<u>245.36</u>
<b>ELEMENTARY SCHOOL - Non-Classroom Based Instruction</b>		
Kindergarten	-	-
First through third	0.11	0.07
Total Elementary School - Non-Classroom Based Instruction	<u>0.11</u>	<u>0.07</u>

CWC Hollywood offered a short-term Non-Classroom Based Independent Study program.

See accompanying note to supplementary information.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF APPORTIONMENT DAYS OF ATTENDANCE (Continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

	CWC Silver Lake Final Report	
	Second Period Report	Annual Report
<b>ELEMENTARY SCHOOL - Total</b>		
Kindergarten	117.96	118.74
First through third	105.76	103.99
Total Elementary School - Total	<u>223.72</u>	<u>222.73</u>
 <b>ELEMENTARY SCHOOL - Classroom Based Instruction</b>		
Kindergarten	117.82	118.42
First through third	105.71	103.70
Total Elementary School - Classroom Based Instruction	<u>223.53</u>	<u>222.12</u>
 <b>ELEMENTARY SCHOOL - Non-Classroom Based Instruction</b>		
Kindergarten	0.14	0.32
First through third	0.05	0.29
Total Elementary School - Non-Classroom Based Instruction	<u>0.19</u>	<u>0.61</u>

CWC Silver Lake offered a short-term Non-Classroom Based Independent Study program.

See accompanying note to supplementary information.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2013**

**CWC Hollywood**

Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13	Number of Days		Status
	Actual	1982-83	Minutes	1986-87		Actual	Traditional	
	Minutes	Minutes	Requirement	Requirement	Minutes	Calendar	Calendar	
Kindergarten	*	*	36,000	34,971	52,935	176	N/A	Complied
Grades 1 - 3								
Grade 1	*	*	50,400	48,960	52,935	176	N/A	Complied
Grade 2	*	*	50,400	48,960	52,935	176	N/A	Complied
Grade 3	*	*	50,400	48,960	52,935	176	N/A	Complied

\* The Charter Schools were not operating in 1982-83.

**CWC Silver Lake**

Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13	Number of Days		Status
	Actual	1982-83	Minutes	1986-87		Actual	Traditional	
	Minutes	Minutes	Requirement	Requirement	Minutes	Calendar	Calendar	
Kindergarten	*	*	36,000	34,971	52,640	176	N/A	Complied
Grades 1 - 3								
Grade 1	*	*	50,400	48,960	52,640	176	N/A	Complied
Grade 2	*	*	50,400	48,960	53,020	176	N/A	Complied
Grade 3	*	*	50,400	48,960	53,020	176	N/A	Complied

\* The Charter Schools were not operating in 1982-83.

See accompanying note to supplementary information.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES**  
**(A California Nonprofit Public Benefit Corporation)**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Citizens of the World Charter Schools - Los Angeles (CWC Hollywood)	Citizens of the World Charter Schools - Los Angeles (CWC Silver Lake)
FUND BALANCE		
Balance, June 30, 2013, Unaudited Actuals	\$ 440,429	\$ (10,794)
Increase (decreasing) the fund balance		
Audit Adjustment		
Cash	(8,415)	(8,415)
Accounts payable	-	(4,007)
Balance, June 30, 2013, Audited Financial Statement	<u>\$ 432,014</u>	<u>\$ (23,216)</u>

See accompanying note to supplementary information.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

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***NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES***

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of CWC Los Angeles and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Local Education Agency Organization Structure**

This schedule provides information about the school operated, members of the governing board, and members of the administration.

**Schedule of Apportionment Days of Attendance**

This schedule presents information on the amount of instructional time offered by CWC Los Angeles and whether CWC Los Angeles complied with provisions of *Education Code* Sections 46200 and 46206. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made through the Los Angeles County Office of Education to Citizens of the World Charter Schools – Los Angeles.

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by CWC Los Angeles and whether CWC Los Angeles complied with the provisions of *Education Code* Sections 46200 through 46206.

CWC Los Angeles must maintain their instructional minutes at either 1982-83 actual minutes or the 1986-87 requirements; whichever is greater, as required by *Education Code* Section 46201.

**Reconciliation of Annual Financial Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

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***INDEPENDENT AUDITORS' REPORTS***

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Citizens of the World Charter Schools – Los Angeles  
(A California Non-Profit Public Benefit Corporation)  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Citizens of the World Charter Schools – Los Angeles (CWC Los Angeles) (A California Non-Profit Public Benefit Corporation) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise CWC Los Angeles' basic financial statements, and have issued our report thereon dated November 13, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CWC Los Angeles' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CWC Los Angeles' internal control. Accordingly, we do not express an opinion on the effectiveness of CWC Los Angeles' 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 CWC Los Angeles' 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 CWC Los Angeles' 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 CWC Los Angeles' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CWC Los Angeles' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vannink, Tai, Day & Co., LLP

Rancho Cucamonga, California  
November 13, 2013





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
Citizens of the World Charter Schools – Los Angeles  
(A California Non-Profit Public Benefit Corporation)  
Los Angeles, California

**Report on Compliance for Each Major Federal Program**

We have audited Citizens of the World Charter Schools – Los Angeles (CWC Los Angeles) (A California Non-Profit Public Benefit Corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CWC Los Angeles' major Federal programs for the year ended June 30, 2013. CWC Los Angeles' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of CWC Los Angeles' major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about CWC Los Angeles' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of CWC Los Angeles' compliance.

## Opinion on Each Major Federal Program

In our opinion, CWC Los Angeles complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of CWC Los Angeles is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CWC Los Angeles' internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CWC Los Angeles' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vannink, Tai, Day & Co., LLP

Rancho Cucamonga, California  
November 13, 2013



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Citizens of the World Charter Schools – Los Angeles  
(A California Non-Profit Public Benefit Corporation)  
Los Angeles, California

### Report on State Compliance

We have audited Citizens of the World Charter Schools – Los Angeles (CWC Los Angeles) (A California Non-Profit Public Benefit Corporation) compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of CWC Los Angeles' State government programs as noted below for the year ended June 30, 2013.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of CWC Los Angeles' State programs based on our audit of the types of compliance requirements referred to above. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. These 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 the applicable government programs noted below. An audit includes examining, on a test basis, evidence about CWC Los Angeles' 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 CWC Los Angeles' compliance with those requirements.

### Unmodified Opinion on Each of the Other Programs

In our opinion, CWC Los Angeles complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Citizens of the World Charter Schools – Los Angeles compliance with the State laws and regulations applicable to the following items:

	<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
Instructional Time:		
School Charter Schools	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 Card	3	Not Applicable
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Not Applicable
Option One Classes	3	Not Applicable
Option Two Classes	4	Not Applicable
Charter Schools or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction	1	Yes
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Yes

*Vannink, Tai, Day & Co., LLP*

Rancho Cucamonga, California  
November 13, 2013

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.282</u>	<u>Title V, Part B - Public Charter Schools Grant Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**FEDERAL AWARDS FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.



**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

**CITIZENS OF THE WORLD CHARTER SCHOOLS - LOS ANGELES  
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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There were no audit findings reported in the prior year's schedule of financial statement findings.