

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**(A California Nonprofit  
Public Benefit Corporation)**

**Report of Independent Auditor  
And Financial Statements  
For the Year Ended  
June 30, 2017**

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Escuela Xochitl Tonatiuh, Inc.  
dba Sunrise Middle School  
San Jose, CA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Sunrise Middle School (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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.

Board of Directors  
Escuela Xochitl Tonatiuh, Inc.  
dba Sunrise Middle School

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 the School as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

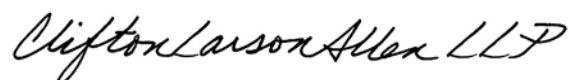
### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinion on the School's financial statements as a whole. The accompanying supplementary schedules on pages 13-15 are presented for purposes of additional analysis and are 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 a report dated August 15, 2017 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP  
Glendora, California  
August 15, 2017

**ESCUELA XOCHITL TONATIUH, INC.**  
**dba SUNRISE MIDDLE SCHOOL**

**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2017**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 603,661
Accounts receivable - federal and state	211,692
Prepaid expenses and other assets	<u>43,148</u>
Total current assets	<u>858,501</u>

**LONG-TERM ASSETS:**

Property, plant and equipment, net	<u>44,387</u>
Total long-term assets	<u>44,387</u>
Total assets	<u><u>\$ 902,888</u></u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	\$ 73,362
Deferred revenue	<u>55,000</u>
Total current liabilities	<u>128,362</u>

**NET ASSETS:**

Unrestricted	520,717
Temporarily restricted	<u>253,809</u>
Total net assets	<u>774,526</u>
Total liabilities and net assets	<u><u>\$ 902,888</u></u>

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

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
State revenue:			
Principal apportionment	\$ 484,298	\$ -	\$ 484,298
Other state revenue	191,499	208,260	399,759
Federal revenue:			
Grants and entitlements	195,141	-	195,141
Local revenue:			
In-lieu property tax revenue	1,156,154	-	1,156,154
Other revenue	78,710	40,000	118,710
Total revenues	<u>2,105,802</u>	<u>248,260</u>	<u>2,354,062</u>
Net assets released from restriction	<u>101,469</u>	<u>(101,469)</u>	<u>-</u>
Total revenues and net assets released from restriction	<u>2,207,271</u>	<u>146,791</u>	<u>2,354,062</u>
<b>EXPENSES:</b>			
Program services	1,794,844	-	1,794,844
Management and general	316,578	-	316,578
Fundraising	7,970	-	7,970
Total expenses	<u>2,119,392</u>	<u>-</u>	<u>2,119,392</u>
Change in net assets	87,879	146,791	234,670
Beginning net assets	<u>432,838</u>	<u>107,018</u>	<u>539,856</u>
Ending net assets	<u>\$ 520,717</u>	<u>\$ 253,809</u>	<u>\$ 774,526</u>

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

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2017**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 998,671	\$ 141,387	\$ -	\$ 1,140,058
Pension expense	91,672	12,978	-	104,650
Other employee benefits	96,434	13,653	-	110,087
Payroll taxes	37,243	5,273	-	42,516
Legal expenses	-	9,993	-	9,993
Accounting expenses	-	11,020	-	11,020
Other fees for services	70,934	51,771	7,970	130,675
Advertising and promotion expenses	-	4,317	-	4,317
Office expenses	-	30,639	-	30,639
Printing and postage expenses	2,485	-	-	2,485
Information technology expenses	6,754	-	-	6,754
Occupancy expenses	139,146	7,323	-	146,469
Travel expenses	-	1,202	-	1,202
Conference and meeting expenses	8,085	1,182	-	9,267
Interest expense	-	132	-	132
Depreciation expense	3,832	1,278	-	5,110
Insurance expense	-	18,805	-	18,805
Instructional materials	116,395	-	-	116,395
Other expenses	223,193	5,625	-	228,818
	<u>\$ 1,794,844</u>	<u>\$ 316,578</u>	<u>\$ 7,970</u>	<u>\$ 2,119,392</u>

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

**ESCUELA XOCHITL TONATIUH, INC.**  
**dba SUNRISE MIDDLE SCHOOL**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2017**

**CASH FLOWS from OPERATING ACTIVITIES:**

Change in net assets	\$ 234,670
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	5,110
Change in operating assets:	
Accounts receivable - federal and state	(43,280)
Prepaid expenses and other assets	14,950
Change in operating liabilities:	
Accounts payable and accrued liabilities	41,524
Deferred revenue	<u>55,000</u>
Net cash flows from operating activities	<u>307,974</u>

**CASH FLOWS from INVESTING ACTIVITIES:**

Purchases of property, plant and equipment	<u>(49,497)</u>
Net cash from investing activities	<u>(49,497)</u>
Net change in cash and cash equivalents	258,477
Cash and cash equivalents at the beginning of the year	<u>345,184</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 603,661</u></u>

**SUPPLEMENTAL CASH FLOW DISCLOSURES:**

Cash paid for interest	<u><u>\$ 132</u></u>
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The accompanying notes are an integral part of these financial statements.



**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

*Nature of Activities* – The mission of Escuela Xochitl Tonatiuh, Inc. dba Sunrise Middle School (the School) is to provide a meaningful and stimulating alternative to mainstream education for 6<sup>th</sup> through 8<sup>th</sup> grade students. The School is a California nonprofit public benefit corporation funded principally through State of California public education monies received through the California Department of Education (CDE).

The School was originally chartered through the San Jose Unified School District (the District) through 2014. In March of 2014, the Santa Clara County Office of Education (SCCOE) renewed the School’s charter through 2019. The charter may be revoked by SCCOE for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

*Basis of Accounting* – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and other liabilities.

*Net Asset Classes* – The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of the School consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the organization.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The School had \$253,809 of temporarily restricted net assets as of June 30, 2017.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

*Revenue Recognition* – Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

*Cash and Cash Equivalents* – The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

*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. Accordingly, actual results could differ from those estimates.

*Functional Allocation of Expenses* – The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supportive services benefited.

*Contributions* – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for specific use in future periods are reported as temporarily restricted. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets for expenditure.

*Property, Plant and Equipment* – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the asset. The School capitalizes all expenditures for land, buildings and equipment in excess of \$5,000.

*Income Taxes* – The School is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

*Evaluation of Subsequent Events* – The organization has evaluated subsequent events through August 15, 2017, the date these financial statements were available to be issued.

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2017**

**NOTE 2 - CONCENTRATION OF CREDIT RISK:**

The School maintains bank accounts with one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 3 - ACCOUNTS RECEIVABLE:**

Accounts receivable primarily consist of funds due from state and federal governments, therefore no provisions for uncollectible accounts were recorded.

**NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT, NET:**

Property, plant and equipment consisted of the following as of June 30, 2017:

Leasehold improvements	\$ 29,783
Equipment	19,714
Accumulated Depreciation	<u>(5,110)</u>
Property, plant and equipment, net	<u>\$ 44,387</u>

Depreciation expense for the year ended June 30, 2017 was \$5,110.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS:**

The School's temporarily restricted net assets as of and for the year ended June 30, 2017 were as follows:

	June 30, 2016	Additions	Releases	June 30, 2017
Prop 39 Clean Energy Grant	\$ 52,018	\$ 208,260	\$ (46,469)	\$ 213,809
Summer Program Grant	<u>55,000</u>	<u>40,000</u>	<u>(55,000)</u>	<u>40,000</u>
	<u>\$ 107,018</u>	<u>\$ 248,260</u>	<u>\$ (101,469)</u>	<u>\$ 253,809</u>

**NOTE 6 - FEES:**

The County receives 1% of the School's annual ADA-related revenues for supervisory oversight and administrative services.

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2017**

**NOTE 7 - EMPLOYEE RETIREMENT:**

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

The risks of participating in this multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multiemployer plan.

**State Teachers' Retirement System (STRS)**

**Plan Description**

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS.

The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2016, total plan net assets are \$189 billion, the total actuarial present value of accumulated plan benefits is \$333 billion, contributions from all employers totaled \$3.4 billion, and the plan is 63.7% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

**ESCUELA XOCHITL TONATIUH, INC.**  
**dba SUNRISE MIDDLE SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 7 - EMPLOYEE RETIREMENT: (continued)**

**Funding Policy**

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for the year ended June 30, 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

The School's contributions to STRS for the past three fiscal years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2015	\$ 41,183	100%
2016	\$ 60,034	100%
2017	\$ 104,650	100%

**NOTE 8 - CONTINGENCIES:**

The School 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 required reimbursement would not be material.

**NOTE 9 - LINE OF CREDIT:**

The School has a line of credit for \$93,000. It carries a fixed annual rate of 10%. The School has no outstanding balance as of June 30, 2017.

**ESCUELA XOCHITL TONATIUH, INC.**  
**dba SUNRISE MIDDLE SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 10 - OPERATING LEASE:**

The School has a Facilities Use Agreement with the District through June 30, 2019. The agreement requires the School to pay a Pro-Rata Share and FMV Use Fee (lease payments) that is calculated annual based on the projected enrolled students and amount of space used. For the year ended June 30, 2017, the School paid \$9,548 monthly for a total lease expense of \$114,573.

Estimated future payments under this agreement are as follows:

For the year ended		
<u>June 30,</u>		
2018	\$	116,363
2019		<u>116,571</u>
Total estimated future lease payments	\$	<u><u>232,934</u></u>

**SUPPLEMENTARY INFORMATION**





**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**SCHEDULE OF INSTRUCTIONAL MINUTES  
For the Year Ended June 30, 2017**

	<u>Instructional Minutes</u>		<u>Instructional</u>	<u>Status</u>
	<u>Requirement</u>	<u>Actual</u>	<u>Days</u>	
Grade 6	54,000	65,910	180	In compliance
Grade 7	54,000	65,910	180	In compliance
Grade 8	54,000	65,910	180	In compliance

See the accompanying notes to the supplementary information.

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2017**

	<b>Second Period Report</b>		<b>Annual Report</b>	
	<b>Classroom</b>		<b>Classroom</b>	
	<b>Based</b>	<b>Total</b>	<b>Based</b>	<b>Total</b>
Grades 4-6	77.27	77.31	78.12	78.31
Grades 7-8	102.56	102.89	102.33	102.69
ADA Totals	179.83	180.20	180.45	181.00

See the accompanying notes to the supplementary information.

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**RECONCILIATION OF ANNUAL FINANCIAL  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

Annual Financial Report Fund Balances (Net Assets)	\$ 749,853
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Property, plant and equipment, net	<u>24,673</u>
Net Adjustments and Reclassifications	<u>24,673</u>
Audited Financial Statement Fund Balances (Net Assets)	<u><u>\$ 774,526</u></u>

See the accompanying notes to the supplementary information.

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2017**

**NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Schedule of Instructional Minutes**

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the applicable provisions of Education Code.

**B. Schedule of Average Daily Attendance (ADA)**

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

**D. Reconciliation of Annual Financial Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances (net assets) of the charter school as reported on the Annual Financial Report form to the audited financial statements.



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**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  
Escuela Xochitl Tonatiuh, Inc.  
dba Sunrise Middle School  
San Jose, CA

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 Sunrise Middle School (the School), a non-profit California public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2017.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School'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 over financial reporting 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.

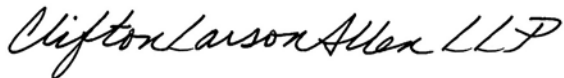
**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



CliftonLarsonAllen LLP  
Glendora, California  
August 15, 2017

## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors  
Escuela Xochitl Tonatiuh, Inc.  
dba Sunrise Middle School  
San Jose, CA

We have audited Sunrise Middle School’s (the School) compliance with the types of compliance requirements described in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2017. The School’s State compliance requirements are identified in the table below.

### Management’s Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

### Auditor’s Responsibility

Our responsibility is to express an opinion on the School’s compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School’s compliance.

### Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	No <sup>1</sup>
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

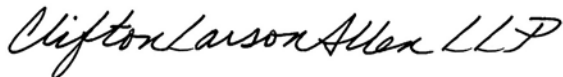
<sup>1</sup>Nonclassroom-based instructional/independent study procedures were not performed because nonclassroom-based ADA was not material.

### Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

### Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP  
Glendora, CA  
August 15, 2017



**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2017**

All audit findings must be identified as one or more of the following twelve categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements or state awards for June 30, 2017.

**ESCUELA XOCHITL TONATIUH, INC.  
dba SUNRISE MIDDLE SCHOOL**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2017**

There were no findings and questioned costs related to the basic financial statements or state awards for the prior year.