



McGILL SCHOOL of SUCCESS

3025 Fir Street, San Diego, CA 92102

619.677.6347

December 14, 2017

Wilkinson Haldey King & Co LLP  
218 W Douglas Ave  
El Cajon, CA 92020

This representation letter is provided in connection with your audit of the financial statements of Chancellor William McGill School of Success, which comprise the statements 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, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 14, 2017, the following representations made to you during your audit.

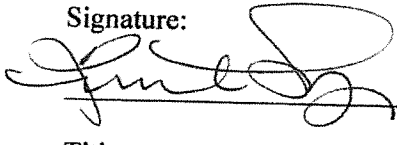
**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP. **Information Provided**
- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 20) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 22) Chancellor William McGill School of Success is an exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

23) We acknowledge our responsibility for presenting the supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Signature:

 Kimberly Lopez

Title:

Principal / CEO

**CHANCELLOR WILLIAM MCGILL SCHOOL OF  
SUCCESS**

**SAN DIEGO COUNTY**

**SAN DIEGO, CALIFORNIA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2017**

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**  
Financial Statements and Supplemental Information  
Year Ended June 30, 2017

---

**TABLE OF CONTENTS**

<b><u>INDEPENDENT AUDITOR'S REPORT</u></b>	<b><u>1</u></b>
<b><u>FINANCIAL STATEMENTS</u></b>	<b><u>3</u></b>
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements.....	6
<b><u>SUPPLEMENTARY INFORMATION</u></b>	<b><u>17</u></b>
Organization Structure .....	17
Schedule of Average Daily Attendance .....	18
Schedule of Instructional Time .....	19
Schedule of Financial Trends and Analysis.....	20
Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements.....	21
Notes to the Supplementary Information .....	22
<b><u>OTHER INDEPENDENT AUDITORS' REPORTS</u></b>	<b><u>23</u></b>
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 .....	23
Independent Auditor's Report on State Compliance .....	25
<b><u>AUDITOR'S RESULTS, FINDINGS &amp; RECOMMENDATIONS</u></b>	<b><u>28</u></b>
Schedule of Auditor's Results .....	28
Schedule of Findings and Questioned Costs.....	29
Schedule of Prior Year Audit Findings.....	30

## Independent Auditor's Report

To the Board of Directors  
Chancellor William McGill School of Success  
San Diego, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Chancellor William McGill School of Success (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chancellor William McGill School of Success 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**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of Chancellor William McGill School of Success's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chancellor William McGill School of Success's internal control over financial reporting and compliance.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California

December 14, 2017

## Financial Statements



**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Statement of Financial Position

June 30, 2017

---

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	339,206
Accounts receivable		189,503
Prepaid expenditures		65,931
<b>Total Current Assets</b>		<u>594,640</u>

**Noncurrent Assets**

Capital assets, net		58,082
<b>Total Noncurrent Assets</b>		<u>58,082</u>

**TOTAL ASSETS** \$ 652,722

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$	46,474
Accrued expenses		3,840
<b>Total Current Liabilities</b>		<u>50,314</u>

**Total Liabilities** 50,314

**Net Assets**

Unrestricted		534,945
Temporarily restricted		67,463
<b>Total Net Assets</b>		<u>602,408</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 652,722

The accompanying notes are an integral part of this statement.

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Statement of Activities  
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
<b>Revenue</b>			
LCFF state aid, current year	\$ 588,909	\$ -	\$ 588,909
LCFF state aid, prior year	(11,855)	-	(11,855)
Education protection account funds	30,190	-	30,190
Payments in lieu of property taxes	827,269	-	827,269
Federal revenue	-	127,044	127,044
Other state revenue	320,504	80,657	401,161
Interest	1,538	-	1,538
Other local revenue	33,234	-	33,234
<b>Total Revenues</b>	<b>1,789,789</b>	<b>207,701</b>	<b>1,997,490</b>
Net assets released from restrictions:			
Grant restrictions satisfied	260,084	(260,084)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>2,049,873</b>	<b>(52,383)</b>	<b>1,997,490</b>
<b>EXPENSES</b>			
Certificated salaries	637,731	-	637,731
Classified salaries	240,900	-	240,900
Taxes and employee benefits	299,930	-	299,930
Books and supplies	183,808	-	183,808
Rentals, leases and repairs	244,564	-	244,564
Other operating expenditures	459,642	-	459,642
Depreciation expense	56,292	-	56,292
<b>TOTAL EXPENSES</b>	<b>2,122,867</b>	<b>-</b>	<b>2,122,867</b>
<b>CHANGE IN NET ASSETS</b>	<b>(72,994)</b>	<b>(52,383)</b>	<b>(125,377)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>607,939</b>	<b>119,846</b>	<b>727,785</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 534,945</b>	<b>\$ 67,463</b>	<b>\$ 602,408</b>

The accompanying notes are an integral part of this statement.

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Statement of Cash Flows  
Year Ended June 30, 2017

---

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (125,377)
Depreciation	56,292
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease resulting from changes in assets:	
Accounts receivable	(5,445)
Prepaid expenses	14,123
Increase (Decrease) resulting from changes in liabilities:	
Accounts payable	6,523
Accrued expenses	(24,763)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>(78,647)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of capital assets	<u>(27,648)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(27,648)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(106,295)

<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>445,501</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 339,206</u>

The accompanying notes are an integral part of this statement.

## CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS

Notes to the Financial Statements

Year Ended June 30, 2017

---

### A. Organization and Summary of Significant Accounting Policies

#### *Organization*

Chancellor William McGill School of Success (Organization) is a non-profit public benefit corporation. The Organization was approved by the San Diego Unified School District on November 8, 1995, as extended, ending June 30, 2020.

The Organization was approved as a public charter school by the State of California and the School began operations on September 4, 1996 (Charter #0095), and currently serves 162 students in Kindergarten through Grade 5.

The mission of the School is to provide children with an equitable, nurturing, and effective learning environment that promotes the development of the 21st century skills of critical thinking, effective communication, creativity and collaboration, with a multicultural perspective and core values essential for academic and lifetime success, and to provide parents and/or guardians with learning opportunities and resources to ensure their children's success and emotional well-being.

#### *Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, the School is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor or grant restrictions.
- Temporarily restricted net assets consist of contributed funds or grants subject to donor or grant imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the School may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The School had no permanently restricted net assets during the year.

#### *Use of Estimates*

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

#### *Cash and Cash Equivalents*

For the purposes of the statement of cash flows, the School considers all highly liquid debt equity instruments purchased with an original maturity of three months or less to be cash equivalents.

## CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

---

### *Investments*

The School's method of accounting for investments, in accordance with generally accepted accounting principles, is the fair value method. Fair value is determined by published quotes. Changes in fair value of investments results in increases or decreases in unrealized fair values of equity investments. Adjustments to fair values are reflected as unrealized gain/loss on investments in the accompanying statement of activities. The School's policy is to follow the fair value measurement and reporting requirements contained in FASB ASC 820. At June 30, 2017 the School did not have any investments.

### *Accounts Receivable*

Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary as management believes that all amounts are collectible.

### *Capital Assets*

Property and equipment are recorded at cost, or estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the School's earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred. The School's policy is to evaluate the remaining lives and recoverability in light of the current conditions. It is reasonably possible that the School's estimate to recover the carrying amount of the property and equipment will change. Estimated useful lives range from three to fifty years depending on the asset.

### *Unearned Revenue*

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition or when resources are received by the School prior to the School meeting the requirements for legal claim to the resources.

In subsequent periods, when both revenue recognition criteria are met or when the School has legal claim to the resources, the liability for unearned revenue is removed from the statement of financial position and revenue is recognized.

### *Revenue Recognition*

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

All donor or grant restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

---

### *Contributed Materials and Services*

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The School receives services donated by volunteers in carrying out the School's operations. The services do not meet the criteria as contributions and are, therefore, not recognized in the financial statements.

### *Donated Property and Equipment*

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### *LCFF Revenues and Payments in Lieu of Property Taxes*

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the School's average daily attendance (ADA) as reported at the Second Principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the School, which is funding in lieu of property taxes and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state General Fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 72% of the school's revenue. The School is not at risk of losing these funding sources, as long as the school maintains a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

### *Advertising*

Advertising costs are expensed when incurred.

### *Income Taxes*

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2017, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2017.

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

---

The School files informational and income tax returns in the United States and in the state of California. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

*Subsequent Events*

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 14, 2017, the date the financial statements were available to be issued.

**B. Cash and Cash Equivalents**

*Cash in County Treasury*

The School is a voluntary participant and therefore maintains a portion of its cash in the San Diego County Treasury as part of the common investment pool (\$44,977 as of June 30, 2017). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the School's investment in this pool is reported in the accompanying financial statements at amounts based upon the School's pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis.

*Cash in Bank*

The remainder of the School's cash (\$293,929 as of June 30, 2017) is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest bearing accounts that are fully insured by the FDIC. As of June 30, 2017, the School had cash (\$43,930) that was exposed to uninsured deposit risk. As of June 30, 2017, the School had a petty cash amount of \$300.

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

**C. Accounts Receivable**

As of June 30, 2017 accounts receivable consisted of:

	<u>Accounts Receivable</u>
Federal Government:	
Federal Programs	\$ 22,215
State Government:	
LCFF Revenue	49,436
SB 740	36,840
Lottery Revenue	16,920
After School Education & Safety	15,907
Special Education	7,161
Local Sources:	
In Lieu of Property Taxes	<u>41,024</u>
Total Accounts Receivable	<u><u>\$ 189,503</u></u>

**D. Capital Assets**

As of June 30, 2017 capital assets consisted of:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Leasehold improvements	\$ 97,132	\$ 27,648	\$ -	\$ 124,780
Total capital assets	97,132	27,648	-	124,780
Less accumulated depreciation	<u>(10,406)</u>	<u>(56,292)</u>	-	<u>(66,698)</u>
Capital assets, net	<u><u>\$ 86,726</u></u>	<u><u>\$ (28,644)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,082</u></u>



**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

**E. Accounts Payable**

As of June 30, 2017 accounts payable consisted of:

	Accounts Payable	Accrued Expenses
Vendors payable	\$ 46,278	\$ -
Accrued payable	-	636
Payroll liabilities	-	810
Pension related liabilities	-	2,394
Other liabilities	196	-
Total Accounts Payable	<u>\$ 46,474</u>	<u>\$ 3,840</u>

**F. Operating Lease**

The Organization leases equipment and building under an agreement in excess of one year. Future minimum lease payments under the agreement are as follows:

Year Ended June 30,	Lease Payments
2018	\$ 134,103
2019	<u>330</u>
Total	<u>\$ 134,433</u>

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2017

**G. Functional Expenses**

As of June 30, 2017 functional expenses consisted of:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 671,290	\$ 207,341	\$ 878,631
Pension plan accruals and contributions	74,829	23,113	97,942
Other employee benefits	125,584	38,789	164,373
Payroll taxes	28,739	8,876	37,615
Fees for services (non-employees):			
Management	-	226,557	226,557
Legal	-	18,106	18,106
Accounting	-	8,400	8,400
Educational consulting	98,132	-	98,132
Other	-	6,708	6,708
Advertising and promotion	2,712	-	2,712
Office expenses	35,014	-	35,014
Information technology	40,674	-	40,674
Occupancy	203,549	-	203,549
Travel	13,391	-	13,391
Conferences, conventions and meetings	6,029	-	6,029
Depreciation	56,292	-	56,292
Insurance	-	15,134	15,134
All other expenses: Books and supplies	183,808	-	183,808
All other expenses: District oversight	-	15,136	15,136
All other expenses: Equipment	6,001	-	6,001
All other expenses: Student transportation	2,985	-	2,985
All other expenses: Dues and memberships	2,189	-	2,189
All other expenses: All other	-	3,489	3,489
Total expenses	<u>\$ 1,551,218</u>	<u>\$ 571,649</u>	<u>\$ 2,122,867</u>

## CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

---

### H. Commitments and Contingencies

#### *State and Federal Allowances, Awards, and Grants*

The School has received federal and state 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 will not be material. As a result, no liability has been accrued.

#### *Sick Leave*

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulate sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. Therefore, it is not appropriate to accrue the value of the accumulated sick leave.

### I. Employee Retirement System

Qualified employees are covered under multiple-employer defined benefit pension plans by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the School chooses to stop participating in some of its multi-employer plans, the School may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The School's participation in these plans for the fiscal year ended June 30, 2017, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2017, 2016 and 2015 is for the plan's year-end at June 30, 2017, 2016 and 2015, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. Finally, there was no significant increase or decrease in covered employees from 2016 to 2017, so the period-to-period comparability of the contributions for years 2016 and 2017 is valid. There were increases in related business activities and employer percentages that affected the comparability of the 2015 and 2016 contributions.

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30			FIP/RP Status Pending/ Implemented
		2017	2016	2015	
CalSTRS	37130	Yellow	Yellow	Yellow	No
CalPERS	7354575882	Yellow	Yellow	Green	No

Pension Fund	Contributions of School			Number of Employees	Surcharge Imposed
	2017	2016	2015		
CalSTRS	79,514	64,177	44,209	11	No
CalPERS	18,428	17,196	16,495	4	No

**CalSTRS:**

The School contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. Required contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level of percentage of payroll using the entry age normal actuarial cost method. CalSTRS also uses the level percentage of payroll method to calculate the amortization of any unfunded liability. Copies of the STRS annual report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

For the fiscal year ended June 30, 2017, active plan members were required to contribute between 9.20% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 12.58% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2017 the State contributed \$42,707 (8.578248% of creditable salaries from 2014-15) on behalf of the School.

**CalPERS:**

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Benefit provisions are established by state statutes, as legislatively amended, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Active plan members were required to contribute between 6% and 7% of their salary, depending on their hire date, and 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 CalPERS Board of Administration. The required employer contribution rates for fiscal year 2016-17 were 13.888% of salaries. The School made contributions as noted above.

## CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

---

### J. Subsequent Events

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-02 *Not-for-Profit Entities – Consolidation (Subtopic 958-810)*. FASB issued this update to amend the consolidation guidance in Subtopic 958-810 to clarify when a not-for-profit entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity. ASU 2017-02 becomes effective for years that begin after December 15, 2016. The Charter School has adopted the provisions of this FASB update for the 2017-18 fiscal year.

In December 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-19 *Technical Corrections and Improvements*. FASB issued this update to clarify the Accounting Standards Codification and correct unintended application of guidance that is not expected to have significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments include items raised to FASB through Accounting Standards Codification's feedback mechanism. ASU 2016-19 becomes effective for years that begin after December 15, 2016. The Charter School has adopted the provisions of this FASB update for the 2017-18 fiscal year.

In October 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-17 *Consolidation (Topic 810)*. FASB issued this update to amend the consolidation guidance on how a reporting entity that is a single decision maker of a Variable Interest Entity (VIE) should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. ASU 2016-17 becomes effective for years that begin after December 15, 2016. The Charter School has adopted the provisions of this FASB update for the 2017-18 fiscal year.

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-07 *Investments – Equity Method and Joint Ventures (Topic 323)*. FASB issued this update as a part of their Simplification Initiative by eliminating a requirement to retroactively adopt the equity method of accounting given that there is no clear benefit to users of financial statements. ASU 2016-07 becomes effective for years that begin after December 15, 2016. The Charter School has adopted the provisions of this FASB update for the 2017-18 fiscal year.

In September 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-16 *Business Combinations (Topic 805)*. FASB issued this update as part of their Simplification Initiative by amending the presentation of business combinations disclosing the effect on earnings of changes in depreciation, amortization, or other income effects, if any. The amendments in this Update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous recognition reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 becomes effective for years that begin after December 15, 2016. The Charter School has adopted the provisions of this FASB update for the 2017-18 fiscal year.

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

---

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-11 *Inventory*. FASB issued this update as part of their Simplification Initiative by eliminating unnecessarily complex measurement of inventory at the lower of cost or market given that there were several potential outcomes. Under the new guidance inventory should be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This measure is in effect for all forms of inventory valuation except Last In First Out (LIFO). ASU 2015-11 becomes effective for the years that begin after December 15, 2016. The Charter School has adopted the provisions of this FASB update for the 2017-18 fiscal year.

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-09 *Financial Services – Insurance (Topic 944)*. FASB issued this update to provide guidance on note disclosure requirements for short-duration insurance contracts to increase transparency of significant estimates made in measuring liabilities associated with short-duration insurance contracts. ASU 2015-09 becomes effective for the years that begin after December 15, 2016. The Charter School has adopted the provisions of this FASB update for the 2017-18 fiscal year.

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-04 *Compensation – Retirement Benefits (Topic 715)*.

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-02 *Consolidation (Topic 810)*. FASB issued this update to change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 becomes effective for years that begin after December 15, 2016. The Charter School has adopted the provisions of this FASB update for the 2017-18 fiscal year.

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-15 *Presentation of Financial Statements – Going Concern (Subtopic 205-40)*. FASB issued this update to provide guidance regarding management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 becomes effective for years that begin after December 15, 2016. The Charter School has adopted the provisions of this FASB update for the 2017-18 fiscal year.

## Supplementary Information

## CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS

Organization Structure  
Year Ended June 30, 2017

---

Chancellor William McGill School of Success (Charter 0095) was formed as a charter school pursuant to Education Code Section 47600 under a charter agreement with San Diego Unified School District. The School began operations in 1996.

### **GOVERNING BOARD**

---

<b>Name</b>	<b>Office</b>	<b>Term and Term Expiration</b>
Norma Cazares	President	Two Year Term Expires June 30, 2017
Charlene D. Sapien	Vice President	Two Year Term Expires June 30, 2018
Maria Alabi	Treasurer	Two Year Term Expires June 30, 2018
Idalia Rodriguez	Secretary	Two Year Term Expires June 30, 2017
Ed Hieshetter	Member	Two Year Term Expires June 30, 2017
Denis Morgan	Member	Two Year Term Expires June 30, 2017
Rev. George W. Smith	Member	Two Year Term Expires June 30, 2017

### **ADMINISTRATION**

---

Dr. Fred Lanuza  
Principal/CEO

See accompanying notes to supplementary information



**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Schedule of Average Daily Attendance

Year Ended June 30, 2017

---

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Classroom Based Attendance:				
Grades K-3	118.58	N/A	119.22	N/A
Grades 4-6	38.42	N/A	38.20	N/A
Total Classroom Based Attendance	157.00	N/A	157.42	N/A

N/A – There were no audit findings which resulted in revisions to the second period or annual reports of attendance.

See accompanying notes to supplementary information

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Schedule of Instructional Time

Year Ended June 30, 2017

---

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Kindergarten	36,000	61,540	180	Complied
Grade 1	50,400	57,940	180	Complied
Grade 2	50,400	57,940	180	Complied
Grade 3	50,400	57,940	180	Complied
Grade 4	54,000	57,940	180	Complied
Grade 5	54,000	57,940	180	Complied

See accompanying notes to supplementary information

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

## Schedule of Financial Trends and Analysis

Year Ended June 30, 2017

---

	Budget			
	2018	2017	2016	2015
Revenues	<u>\$2,067,618</u>	<u>\$1,997,490</u>	<u>\$1,851,777</u>	<u>\$1,433,356</u>
Expenses	<u>2,060,744</u>	<u>2,122,867</u>	<u>1,740,091</u>	<u>1,349,749</u>
Change in Net Assets	<u>6,874</u>	<u>(125,377)</u>	<u>111,686</u>	<u>83,607</u>
Ending Net Assets	<u>\$ 609,282</u>	<u>\$ 602,408</u>	<u>\$ 727,785</u>	<u>\$ 616,099</u>
Unrestricted Net Assets	<u>\$ 76,790</u>	<u>\$ 534,945</u>	<u>\$ 607,939</u>	<u>\$ 616,099</u>
Unrestricted net assets as a percentage of total expenses	<u>4%</u>	<u>25%</u>	<u>35%</u>	<u>46%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Average Daily Attendance at P2	<u>166.00</u>	<u>157.00</u>	<u>140.07</u>	<u>126.29</u>

See accompanying notes to supplementary information

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements  
Year Ended June 30, 2017

---

June 30, 2017 annual financial alternative form net assets	<u>\$ 602,408</u>
Adjustments and reclassifications:	
Total adjustments and reclassifications	<u>-</u>
June 30, 2017 audited financial statement net assets	<u><u>\$ 602,408</u></u>

See accompanying notes to supplementary information

## CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS

Notes to the Supplementary Information  
Year Ended June 30, 2017

---

### A. Purpose of Schedules

#### Organization Structure

This schedule provides information about the School's charter number, district of authorization, members of the governing board, and members of administration.

#### Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measure 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 and in different programs.

#### Schedule of Instructional Time

The School receives incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the School and whether they complied with the provisions of Education Code Sections 46200 through 46206. Charter schools must maintain their instructional minutes at the 1986-87 requirements as adjusted by Education Code sections later adopted. The School neither met nor exceeded its LCFF target.

#### Schedule of Financial Trends and Analysis

Budget information for 2018 is presented for analysis purposes only and is based on estimates of the 2017-18 fiscal year. The information has not been subject to audit.

This schedule discloses the School's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the School's ability to continue as a going concern for a reasonable period of time.

#### Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Financial Report Alternative Form to the net assets reported in the audited financial statements.

## Other Independent Auditors' Reports

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Board of Trustees of  
Chancellor William McGill School of Success  
San Diego, 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 Chancellor William McGill School of Success (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Chancellor William McGill School of Success'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 Chancellor William McGill School of Success's internal control. Accordingly, we do not express an opinion on the effectiveness of Chancellor William McGill School of Success's internal control.

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

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

#### **Compliance and Other Matters**

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

**Purpose of this Report**

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

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 14, 2017



## Independent Auditor's Report on State Compliance

To the Board of Trustees of  
Chancellor William McGill School of Success  
San Diego, California

### **Report on State Compliance**

We have audited the School's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of the School's state programs identified below for the fiscal year ended June 30, 2017.

### **Management's Responsibility for State Compliance**

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 for each applicable program as identified in the State's audit Guide *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, section 19810. 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 State's audit guide *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards and audit guide 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 direct and material effect on the state programs noted below. 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. Our audit does not provide a legal determination of the school's compliance with those requirements.

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

Description	Procedures Performed
<b>Local Education Agencies Other Than Charter Schools</b>	
Attendance.....	N/A
Teacher Certification and Misassignments .....	N/A
Kindergarten Continuance.....	N/A
Independent Study.....	N/A
Continuation Education.....	N/A
Instructional Time .....	N/A
Instructional Materials.....	N/A
Ratio of Administrative Employees to Teachers.....	N/A
Classroom Teacher Salaries .....	N/A
Early Retirement Incentive.....	N/A
Gann Limit Calculation .....	N/A
School Accountability Report Card.....	N/A
Juvenile Court Schools.....	N/A
Middle or Early College High Schools .....	N/A
K-3 Grade Span Adjustment .....	N/A
Transportation Maintenance of Effort.....	N/A
Mental Health Expenditures.....	N/A
<b>School Districts, County Offices of Education and Charter Schools</b>	
Educator Effectiveness .....	Yes
California Clean Energy Jobs Act.....	Yes
After School Education and Safety Program.....	Yes
Proper Expenditure of Education Protection Account Funds.....	Yes
Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
Local Control and Accountability Plan .....	Yes
Independent Study – Course Based.....	N/A
Immunizations.....	Yes
<b>Charter Schools</b>	
Attendance.....	Yes
Mode of Instruction .....	Yes
Nonclassroom Based Instruction/Independent Study.....	N/A
Determination of Funding for Nonclassroom Based Instruction.....	N/A
Annual Instructional Minutes – Classroom Based .....	Yes
Charter School Facility Grant Program.....	Yes

The term N/A is used above to mean either the School did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

## **Opinion on State Compliance**

In our opinion, Chancellor William McGill School of Success complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2017.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Accordingly, this report is not suitable for any other purpose.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California

December 14, 2017

## Auditor's Results, Findings & Recommendations

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Schedule of Auditor's Results

Year Ended June 30, 2017

---

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?      Yes   X   No

One or more significant deficiencies identified that are not considered material weakness(es)?      Yes   X   No

Noncompliance material to financial statements noted?      Yes   X   No

**STATE AWARDS**

Any audit findings disclosed that are required to be reported in accordance with *2016-17 Guide for Annual Audits of California K-12 Local Education Agencies*?      Yes   X   No

Type of auditor's report issued on compliance for state programs: Unmodified

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

---

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
50000	Federal Compliance
60000	Miscellaneous
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**A. Financial Statement Findings**

None

**B. State Award Findings**

None

**CHANCELLOR WILLIAM MCGILL SCHOOL OF SUCCESS**

Schedule of Prior Year Audit Findings

Year Ended June 30, 2017

---

<u>Finding/Recommendation</u>	<u>Status</u>	<u>Explanation if Not Implemented</u>
There were no findings reported in the prior year audit.	N/A	N/A