

Board Meeting - Scheduled for: March 12th, 2012 @ 6:00 pm PST

Meeting location(s): Innovations Academy (10380 Spring Canyon Road San Diego, California 92131)

Agenda

- Call to Order/Roll Call
- Approval of Agenda
- Public Comments (3 mins per person)
- Approval of Innovations Academy Auditor
 - Disucssion:
 - Action:
- Adjourn Meeting

Please contact Innovations Academy Board @ Board@InnovationsAcademy.org if you require special assistance or a listening device to attend the Board Meeting. Requests must be made 48 hours in advance.



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

**HOSAKA, ROTHERHAM & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

PROPOSAL FOR FINANCIAL AUDIT

INNOVATIONS ACADEMY

FOR THE YEARS ENDED

JUNE 30, 2013

JUNE 30, 2014

AND

JUNE 30, 2015

**INNOVATIONS ACADEMY
TABLE OF CONTENTS**

| | <u>Page</u> |
|---|-------------|
| Letter of Transmittal | i |
| Proposal | |
| 1. Independence | ii |
| 2. License to practice in California | ii |
| 3. Firm Qualifications and Experience | ii |
| 4. Partner, Supervisory Staff Qualifications and Experience | ii - iii |
| 5. Similar Engagements with This and Other Charter Schools | iii |
| 6. Detailed Audit Plan | iii |
| 7. Maximum Audit Fees | iii |
| 8. Peer Review Information | iii |
| Engagement Letter | 1 - 4 |
| Appendix A& B | |
| Appendix C | |



Hosaka, Rotherham & Company
Certified Public Accountants

hrccpa.com

James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

February 21, 2013

Board of Directors
Innovations Academy
10380 Spring Canyon Road
San Diego, California 92131

Dear Board of Directors:

We are delighted to present this proposal to provide audit and tax services to Innovations Academy. Hosaka, Rotherham & Company was established in 1977 and has continually provided clients with the highest quality audit, tax, accounting, and consulting services for the last 35 years. We perform more than 100 independent charter school audits in California each year with an excellent reputation as a firm committed to providing top quality service to our clients.

Within the framework of our business philosophy, our engagements are conducted in a manner that develops long-term and beneficial relationships with our clients. We work with our clients as trusted advisors and strategic partners.

As your audit firm, we commit to the timely delivery of quality services, at fair pricing to provide you with excellent value.

If you have any question or need further information, please feel free to contact us at anytime.

Thank you very much for your consideration.

Sincerely,

James A. Rotherham, CPA

James A. Rotherham, CPA
CEO & Managing Partner
Hosaka, Rotherham & Company

cc: Delano Jones, Charter School Management Corp.

1. Independence

Hosaka, Rotherham & Company is qualified to render an opinion on your financial statements in accordance with auditing standards generally accepted in the United States of America. We meet the independence requirement of the General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

2. License to practice in California

Hosaka, Rotherham & Company ensures that our firm and all assigned key professional staff are properly licensed to practice in the State of California.

3. Firm Qualifications and Experience

Hosaka, Rotherham & Company was established in 1977 and has continually provided clients with the highest quality audit, tax, accounting, and consulting services for the last 35 years. We perform more than 100 independent charter schools with an excellent reputation as a firm committed to providing top quality service to our clients.

In addition to charter schools, we specialize in audits of various not-for-profits, K-12 school districts, Indian Tribes, TANF, Housing authorities, etc., and water and fire districts. We complete the federal compliance audit (single audit) for more than twenty (20) clients each year.

We have more than 20 full-time professional staffs including 3 partners in three different locations in the State of California.

Hosaka, Rotherham & Company has built strong audit procedures to execute with our own engagement team. We have never had the experience of hiring or using any outside association or personnel that would be involved in our audit approach.

We feel that technology is one of the most important elements in providing better audit services to our clients. We currently use Prosystems Engagement Software, a "paperless" audit program, which provides influential tools to help us prepare, organize, review, and complete the engagement.

In connection with the planning and the performance of audit, we communicate certain matters to the Board, and management, as appropriate. We also will communicate to the Board and management any irregularities and illegal acts, that are clearly not inconsequential, and reportable conditions to the extent that they come to our attention. During the exit meeting, we will communicate with the Organization regarding any reportable finding, management comment, and (or) discussion issue, if any, before finalizing our fieldwork so that we can avoid any possible miscommunication with your organization. In addition, we will provide an entire audit draft copy to you before finalizing the audit report.

4. Partner, Supervisory Staff Qualifications and Experience

Our professional audit staff consists of two partners and five professional auditors whose total auditing experience exceeds sixty five years. Our policy is to have our firm maintain an average of two hundred (200) hours of continuing education in auditing and accounting each year.

Below is the audit engagement team:

James A. Rotherham, CPA, Managing Partner - Began his career at Arthur Young & Co., and spent an additional ten (10) years at Ernst & Young servicing clients in a wide range of industries. After Ernst & Young, he co-founded and served as Chief Financial Officer of several privately owned and venture backed companies, two of which he took public through the IPO process. He returned to public accounting in 2007, taking over the leadership of the accounting firm his father established in 1968. He has an accounting and finance degree from the Wharton School of the University of Pennsylvania.

4. Partner, Supervisory Staff Qualifications and Experience (Continued)

Daniel Lee, Audit Director - Began his public accounting career in 2004 and has over 9 years of experience in Charter Schools, School District, American Indian Tribes public agency audit hours including Fire Districts, Water Districts, various not for profit organizations and Municipalities. He has an accounting degree from University of Illinois at Urbana-Champaign.

John J. Arndt, Audit Manager - Began his public accounting career in 2005 and has over 8 years of experience in School District and Charter School audits. He has an accounting degree from the California Polytechnic State University, Pomona.

Bob Elliott, Senior Auditor - Began his public accounting career in 2006 and has over 7 years of experience with American Indian Tribes public agency audit hours including Fire Districts, Water Districts, School Districts, Municipalities, and Not-For-Profit organizations, including California Charter Schools. He has an accounting degree from San Diego State University.

James Farris, Senior Auditor - Began his public accounting career in 2009 and has over 2,000 hours of American Indian Tribes public agency audit hours including Fire Districts, Water Districts, School Districts, Municipalities, and Not-For-Profit organizations, including California Charter Schools. He has an accounting degree from San Diego State University.

Lexan Jaravata, Senior Auditor - Began her public accounting career in 2011 and has over 1,000 hours of American Indian Tribes public agency audit hours including Fire Districts, Water Districts, School Districts, Municipalities, and Not-For-Profit organizations, including California Charter Schools. She has an accounting degree from University of San Diego.

5. Similar Engagements with This and Other Charter Schools

List of all charter schools that we completed audits for 2011-2012 school year is provided separately. See *Appendix C*.

6. Detailed Audit Plan

We mainly have two fieldwork dates with each charter school. The first audit fieldwork is usually performed in May or June to test State Compliance (attendance) and planning procedures including due diligence with management and board members. We also have the second fieldwork date between July to November and we perform the financial audit. We communicate with clients for the schedules more than three (3) months before each fieldwork date and provide 'Checklists' to client at least a month before commencing the fieldwork. We believe that communication with our clients is the most important element to performing our audits. We have a meeting with management and board members before commencing our annual audit and we have an exit meeting on the last day of fieldwork and communicate with the board and management regarding the audit results. We discuss with the board if there are any findings before finalizing the audit report. We have performed more than 100 independent charter school audits in the 2011-2012 year and there are no delinquent filings to the State or any other sponsoring agencies.

7. Maximum Audit Fees

See Engagement Letter.

8. Peer Review Information

See Appendix A & B



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Certified Public Accountants

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James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

February 21, 2013

Board of Directors
Innovations Academy
10380 Spring Canyon Road
San Diego, California 92131

Dear Board of Directors:

We would again like to the opportunity of submitting a multi-year proposal for the annual audit of the financial statements of Innovations Academy for the years ending June 30, 2013, 2014, and 2015.

We will audit the statement(s) of financial position of Innovations Academy as of June 30, 2013, 2014, and 2015, and the related statements of activities, and cash flows for the years then ended. Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our 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, in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of Average Daily Attendance
2. Schedule of Instructional Time, if applicable

We will also prepare the Organization's federal and state information returns for the years ended June 30.

Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unmodified (unqualified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

Management Responsibilities

You are responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee the tax services and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**INNOVATIONS ACADEMY
ENGAGEMENT LETTER**

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organization complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

Our fees for the services will be based on the actual time spent at our standard hourly rates and out-of-pocket costs. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our professional fee for the audit of the financial statements is:

1. \$8,469 for the period July 1, 2012 through June 30, 2013 (ONE YEAR CONTRACT); or,
2. \$7,683 per year for the periods July 1, 2012 through June 30, 2013 and July 1, 2013 through June 30, 2014 (TWO YEAR CONTRACT); or,
3. \$7,059 per year for the periods July 1, 2012 through June 30, 2013, July 1, 2013 through June 30, 2014, and July 1, 2014 through June 30, 2015 (THREE YEAR CONTRACT).

The fee estimate is based on anticipated cooperation from your personnel and the assumption that all records needed to complete the audit are at the school site, and that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

For multi-year contracts, if significant additional time is required to perform the audit of the contract year due to unforeseen circumstance, such as a substantial increase in Average Daily Attendance or if applicable, additional school(s) adds to the region, we will discuss with you whether a new fee estimate is warranted, before we incur the additional costs.

The billing will be staggered for three different payments in the amount of:

- 1/3 of the total contract amount upon the start of preliminary audit fieldwork
- 1/3 of the total contract amount upon the start of financial audit fieldwork.
- 1/3 of the total contract amount upon release of final audit report.

Should the Organization request our firm to prepare the federal and California tax exempt return for the year under audit, our fee for the preparation of these returns will be \$950.

We appreciate the opportunity to be of service to Innovations Academy and believe this letter accurately summarizes the significant terms of our engagement. **If you have any questions regarding this engagement letter, please do not hesitate to contact us.**

**INNOVATIONS ACADEMY
ENGAGEMENT LETTER**

To indicate your approval of the engagement letter, please sign the original copy of this letter in the space provided and return it to us in the enclosed envelope. A copy is enclosed for your files

Sincerely,

James A. Rotherham, CPA

James A. Rotherham, CPA
CEO & Managing Partner
Hosaka, Rotherham & Company

cc: Delano Jones, Charter School Management Corp.

RESPONSE:

This letter correctly sets forth the understanding of Innovations Academy

ENGAGEMENT ACCEPTED - ONE YEAR CONTRACT

By: _____

Title: _____

Date: _____

ENGAGEMENT ACCEPTED - TWO YEAR CONTRACT

By: _____

Title: _____

Date: _____

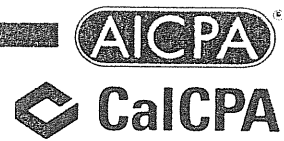
ENGAGEMENT ACCEPTED - THREE YEAR CONTRACT

By: _____

Title: _____

Date: _____

AICPA Peer Review Program
and CalCPA Peer Review Program
Administered by the California Society of CPAs



May 25, 2010

Roy T Hosaka, CPA
Hosaka, Nagel and Company
1011 Camino Del Rio S Ste 410
Suite 410
San Diego, CA 92108

Dear Mr. Hosaka:

It is my pleasure to notify you that on May 13, 2010 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is December 31, 2012. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in cursive script that reads "Linda McCrone".

Linda McCrone
Director
Peer Review Program

cc: David Vaughn, CPA

Firm Number: 10080936 Review Number 280633

A I C P A

PEER REVIEW PROGRAM

is proud to present this

Certificate of Recognition

Hosaka, Nagel and Company

For having a system of quality control for its accounting and auditing practice in effect for the year ended June 30, 2006, which has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and which was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.



David A. Jentho, Chair
AICPA Peer Review Board
2007



INNOVATIONS ACADEMY
APPENDIX C

Hosaka, Rotherham & Company completed more than 100 independent charter schools in California with an excellent reputation as a firm committed to providing top quality service to our clients. Please feel free to contact any clients for your decision.

- Academy of Alameda
 - Fully disclosed audited financial statements as of 6/30/12
 - Matt Huxley, Executive Director, 510-748-4017
- Achieve Charter School of Paradise
 - Fully disclosed audited financial statements as of 6/30/12
 - Susan Powers, Finance and Accounting, 530-872-4100
- Albert Einstein Academy Charter School
 - Fully disclosed audited financial statements as of 6/30/12
 - Jeannette Vaughn 619-795-1190
- Albert Einstein Academy Charter Middle School
 - Fully disclosed audited financial statements as of 6/30/12
 - Jeannette Vaughn 619-795-1190
- Amethod Public Schools (Oakland Charter Academy)
 - Fully disclosed audited financial statements as of 6/30/12
 - Jorge Lopez, Executive Director, 510-893-8700
- Arise Charter High School
 - Fully disclosed audited financial statements as of 6/30/12
 - Louise Santiago, 510-436-5487
- Aveson Charter School
 - Fully disclosed audited financial statements as of 6/30/12
 - Kathryn Bean, Director, 626-797-1440
- Barona Indian Charter School
 - Fully disclosed audited financial statements as of 6/30/12
 - Cheryl A. Coccaro, 619-443-0948
- Bay Area School for Independent Study
 - Fully disclosed audited financial statements as of 6/30/12
 - Mehdi Rizvi, 510-687-9111
- Camptonville Academy, Inc.
 - Fully disclosed audited financial statements as of 6/30/12
 - Janis Jablecki, School Director, 530-478-9458
- Ceiba Public Schools
 - Fully disclosed audited financial statements as of 6/30/12
 - Thomas Brown, President, 831-728-6208
- Celerity Educational Group
 - Fully disclosed audited financial statements as of 6/30/12
 - Vielka McFarlane, 323-732-6613
- Chancellor William McGill School of Success
 - Fully disclosed audited financial statements as of 6/30/12
 - Deborah Huggins, CEO/Principal, 619-239-0632
- Century Academy Excellent
 - Fully disclosed audited financial statements as of 6/30/2012
 - Giselle Edman, Principal, 323-752-8834
- Century Community Charter School
 - Fully disclosed audited financial statements as of 6/30/2012
 - Julie Hick, 310-412-2286
- Community School for Creative Education
 - Fully disclosed audited financial statements as of 6/30/2012
 - Ida Oberman, 510-517-0331
- The Classical Academy, Inc.
 - Fully disclosed audited financial statements as of 6/30/12
 - Sandra Reeve, 760-546-0101

INNOVATIONS ACADEMY
APPENDIX C

- The Classical Academy High School, Inc.
Fully disclosed audited financial statements as of 6/30/12
Sandra Reeve, 760-546-0101
- Coastal Academy, Inc.
Fully disclosed audited financial statements as of 6/30/12
Sandra Reeve, 760-546-0101
- C.O.R.E Butte Charter School
Fully disclosed audited financial statements as of 6/30/12
Janis M. Jablecki, School Director, 530-478-9458
- CORE Placer Charter
Fully disclosed audited financial statements as of 6/30/12
Janis M. Jablecki, School Director, 530-478-9458
- Cornerstone Academy Preparatory
Fully disclosed audited financial statements as of 6/30/12
Shara Hegde, Executive Director, 408-550-5805
- Creative Art Charter School
Fully disclosed audited financial statements as of 6/30/12
Stephanie Boyce, 415-749-3731
- Crosswalk Hesperia Charter School
Fully disclosed audited financial statements as of 6/30/12
Lisa Groot, 760-949-8002
- Dehesa Charter School
Fully disclosed audited financial statements as of 6/30/12
Terry Novacek, Director, 760-743-7880
- Dixon Montessori Charter School
Fully disclosed audited financial statements as of 6/30/12
Carolyn Pfister, Co-Director, 707-678-8953
- Discovery Charter School
Fully disclosed audited financial statements as of 6/30/12
Steve Fiss, Executive Director, 408-243-9800
- Envision Schools
Fully disclosed audited financial statements as of 6/30/12
Bob Lenz, Executive Director, (415) 348-9955
- Environmental Charter Schools
Fully disclosed audited financial statements as of 6/30/12
Alison Diaz, Executive Director, 310-214-3400
- Ernestine C. Reems Academy
Fully disclosed audited financial statements as of 6/30/12
Lisa Blair, Executive Director, 510-729-6635
- Escuela Popular Del Pueblo
Fully disclosed audited financial statements as of 6/30/12
Patricia Reguerin, Executive Director 408-275-7193
- Ezequiel Tafoya Alvarado Academy
Fully disclosed audited financial statements as of 6/30/12
Dr. Nicolas Retana, Executive Director, (559) 675-2070
- Global Education Academy
Fully disclosed audited financial statements as of 6/30/12
Roy Kim, 323-232-9588
- Goethe International Charter
Fully disclosed audited financial statements as of 6/30/12
Mary Deyden 310-306-3484
- Golden Valley Charter School of Sacramento
Fully disclosed audited financial statements as of 6/30/12
Andy Silvert, Business Manager, 916-987-6141
- Guidance Charter School
Fully disclosed audited financial statements as of 6/30/12
Kamal Al-Khatib, Executive Director, 661-272-1701

INNOVATIONS ACADEMY
APPENDIX C

Helix Charter High School
Fully disclosed audited financial statements as of 6/30/12
Anita Weems, Business Manager, 619-644-1940

High Tech High-LA
Fully disclosed audited financial statements as of 6/30/12
Marsha Rybin, Principal, (818) 609-2686

Holly Drive Leadership Academy
Fully disclosed audited financial statements as of 6/30/12
Alysia Shaw, (619) 266-7333

Hope Academy
Fully disclosed audited financial statements as of 6/30/12
Jared Mecham, CEO 760-984-4433

Iftin Charter School
Fully disclosed audited financial statements as of 6/30/12
Abdulkadir Mohamed, Executive Director, 619-265-2411

Inland Leaders Charter School
Fully disclosed audited financial statements as of 6/30/12
Mike Gordon, 909-446-1100

Julian Charter School, Inc.
Fully disclosed audited financial statements as of 6/30/12
Chad Leptich, 760-765-0661

Kid Street Learning Center
Fully disclosed audited financial statements as of 6/30/12
Mike Turner, Board Treasurer 707-525-9223

Language Academy of Sacramento
Fully disclosed audited financial statements as of 6/30/12
Judy Morales, Business Officer, 916-277-7137

Laverne Elementary Preparatory Academy
Fully disclosed audited financial statements as of 6/30/12
Debra Tarver, Principal, 760-963-1861

Learning Choice Charter School
Fully disclosed audited financial statements as of 6/30/12
Kathy Bass, Director, 858-536-8388

Dr. Lewis Dolphin Stallworth, Sr. Charter School, Inc.
Fully disclosed audited financial statements as of 6/30/12
Gayle E. Stallworth, Director 209-948-4511

Lighthouse Community Charter Public Schools
Fully disclosed audited financial statements as of 6/30/12
Jenna M. Stauffer, Director 510-271-8801

Live Oak Charter School
Fully disclosed audited financial statements as of 6/30/12
Will Stapp, Executive Director, 707-762-9019

Livermore Valley Charter School (Tri Valley Learning Corporation)
Fully disclosed audited financial statements as of 6/30/12
Bill Batchelor. (925) 443-1690

Making-Waves, Inc. D/B/A Making Waves Academy
Fully disclosed audited financial statements as of 6/30/12
Anton Jungherr, 510-697-7212

Mojave River Academy
Fully disclosed audited financial statements as of 6/30/12
Joseph Andreasen, Executive Director, 760-245-9260

NEA Community Learning Center
Fully disclosed audited financial statements as of 6/30/12
Paul Benz, Director, 510-748-4008

New Day Academy
Fully disclosed audited financial statements as of 6/30/12
Laura VanAcker Director, 530-233-3861

INNOVATIONS ACADEMY
APPENDIX C

- New Village Charter School Inc.
Fully disclosed audited financial statements as of 6/30/12
Javier Guzman, 213-385-4015
- Northcoast Preparatory and Performing Arts Academy
Fully disclosed audited financial statements at 6/30/12
Jean Bazemore, (707) 822-0861
- Oakland School for the Arts
Fully disclosed audited financial statements as of 6/30/12
Antonette West, Director, 510-873-8800
- Odyssey Charter School
Fully disclosed audited financial statements as of 6/30/12
Lauren O'Neil, Executive Director, 626-229-0993 Ex 105
- Pacific Collegiate School
Fully disclosed audited financial statements as of 6/30/12
Mary Navas, Business Manager, 831-479-7785
- Paragon Collegiate Charter School
Fully disclosed audited financial statements as of 6/30/12
Lisa Reese, Principal, 530-742-2505
- PUC Charter School
Fully disclosed audited financial statements as of 6/30/12
Claudia Flores, Director of Finance, 818-478-2091
- Pathways Charter School
Fully disclosed audited financial statements as of 6/30/12
Robert Tavonatti, 707-585-6513
- Pathways to College Charter School
Fully disclosed audited financial statements as of 6/30/12
Chala Salisbury, Executive Director, 760-949-8002
- Plumas Charter School
Fully disclosed audited financial statements as of 6/30/12
Janet Wolcott, 530-283-3851
- Rainbow Advanced Institute for Learning Digital Charter High School
Fully disclosed audited financial statements as of 6/30/12
Patricia Bell, 760-728-4305
- Redding School of the Arts
Fully disclosed audited financial statements as of 6/30/12
Margaret Johnson, Co-Director, 530-247-6933
- Richmond College Prep K-5 Charter School, a Segment of
Richmond Elementary School
Fully disclosed audited financial statements as of 6/30/12
Peppina Change, Director, 510-232-4004
- Riverside Gateway to College
Fully disclosed audited financial statements as of 6/30/12
Jill Marks, Director, 951-328-3688
- Riverside Preparatory School
Fully disclosed audited financial statements as of 6/30/12
Cyndi Reeves, Director of Fiscal Services, 760-243-5884 Ex 105
- ROADS Education Organization
Fully disclosed audited financial statements as of 6/30/12
Jayna Gaskell, Executive Director, 530-550-7616
- The Preuss School UCSD
Fully disclosed audited financial statements as of 6/30/12
Karin Marsolais, 858-658-7410
- San Jacinto Valley Academy
Fully disclosed audited financial statements as of 6/30/12
Penny Harrison, Chief Executive Officer, 951-654-6113

INNOVATIONS ACADEMY
APPENDIX C

The San Francisco Sheriff's Department Five Keys Charter School
Fully disclosed audited financial statements as of 6/30/12
Steve Goode, Director 415-734-3310

SOAR Charter Academy
Fully disclosed audited financial statements as of 6/30/12
Trish Lancaster, (909) 474-4130

Stone Bridge Charter School
Fully disclosed audited financial statements as of 6/30/12
Rochelle Valenzuela, Office Manager, 707-252-5522

Summit Leadership Academy
Fully disclosed audited financial statements as of 6/30/12
Lance Clark, (760) 949-9202

Sycamore Academy of Science and Cultural Arts Organization
Fully disclosed audited financial statements as of 6/30/12
Richard Shepler, Executive Director, 951-678-5217

Teach Academy of Technologies Charter School
Fully disclosed audited financial statements as of 6/30/12
Edith Morris, 323-777-2068

Tierra Pacifica Charter School
Fully disclosed audited financial statements as of 6/30/12
Satisha Furnish, Finance Manager, (831) 462-9494

TEAM Charter School
Fully disclosed audited financial statements as of 6/30/12
Doug Wacker, 209-470-4605

Taylion Virtual Academy
Fully disclosed audited financial statements as of 6/30/12
William Griffin, Executive Director, 909-889-5152

University Preparatory Academy
Fully disclosed audited financial statements as of 6/30/12
Phil Hopham, Principal, 408-267-4691

Valley Arts & Science Academy
Fully disclosed audited financial statements as of 6/30/12
Sandy Fuerte, Executive Director, 559-497-8272

Valley Preparatory Academy Charter
Fully disclosed audited financial statements as of 6/30/12
Shelly Melton, Executive Director, 559-225-7737

Vincent Academy
Fully disclosed audited financial statements as of 6/30/12
Jean Driscoll, 510-548-5276

West Sacramento Early College Preparatory Charter School, Inc.
Fully disclosed audited financial statements as of 6/30/12
Yolanda Falkenberg, Principal, 916-375-7680

Westwood Charter School
Fully disclosed audited financial statements as of 6/30/12
Kim Tomeriln, 916-677-6143

Wilder's Preparatory Academy Charter School
Fully disclosed audited financial statements as of 6/30/12
Fill Guzman, 310-671-5578

Woodland Polytechnic Charter School
Fully disclosed audited financial statements as of 6/30/12
Steve Marks, 530-219-2542

February 15, 2013

Christy White, CPA

John Dominguez, CFE

Heather Daud

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

SAN DIEGO

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*Licensed by the California
State Board of Accountancy*

Christine Kuglen, Principal and CEO
Innovations Academy
10380 Spring Canyon Rd
San Diego, CA 92131

We are pleased to confirm our understanding of the services we are providing for Innovations Academy for the year ending June 30, 2013 with the option to renew for the years ending June 30, 2014 and June 30, 2015. We will audit the statement of financial position of Innovations Academy as of June 30, 2013, 2014, and 2015, and the related statements of activities, and cash flows for the years then ended. Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our 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, in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on the supplementary information in relation to the financial statements as a whole.

1. Charter Organizational Structure
2. Schedule of Average Daily Attendance
3. Schedule of Instructional Time
4. Reconciliation of Financial Reports – Alternative Form with Audited Financial Statements
5. Schedule of Expenditures of Federal Awards (if OMB Circular A-133 applies*)

In addition, we will prepare the Federal and State tax returns for fiscal year ending June 30, 2013 with the option to renew for the years ending June 30, 2014, and June 30, 2015.

**A Federal Single Audit under OMB Circular A-133 is applicable in any year that Innovations Academy expends more than \$500,000 in Federal funds.*

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to above when considered in relation to the basic financial statements taken as a whole. The objective also includes reporting on–

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, if applicable.
- The types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Agencies*, issued by the California Education Audit Appeals Panel as regulations.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133, if applicable, in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States); the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133; if applicable and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, if applicable, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements, the Single Audit compliance opinions, or the State compliance opinions are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133, if applicable. As part of the audit, we will prepare a draft of your financial statements, schedule of expenditures of federal awards, and related notes.

You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions.

You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any non-audit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Innovations Academy and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

You are also responsible for making all financial records and related information available to us and for ensuring the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud, or illegal acts affecting the District involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, if applicable, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

You are responsible for preparation of the schedule of expenditures of federal awards in conformity with OMB Circular A-133, if applicable. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; if applicable (2) that you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; if applicable (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. Innovations Academy is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective action for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on Innovations Academy's website, you understand that electronic sites are a means to distribute information, and therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures-General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to Innovations Academy or to acts by management or employees acting on behalf of Innovations Academy. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may also request written representations from Innovations Academy's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures-Internal Controls

Our audit will include obtaining an understanding of the Innovations Academy and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133 (if applicable), we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of the controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133, if applicable.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Innovations Academy's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of Innovations Academy's major programs. The purpose of those procedures will be to express an opinion on Innovations Academy's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133, if applicable. A Federal Single Audit under OMB Circular A-133 becomes applicable when Innovations Academy expends more than \$500,000 in Federal funds in any given year.

Tax Preparation Services

We will prepare your annual informational returns for the IRS (Form 990 or 990-EZ, as appropriate) and Franchise Tax Board (Form 199) with supporting schedules, and perform related research as considered necessary. This engagement pertains to the year ending June 30, 2013 and subsequent years per below. Our responsibilities do not include preparation of any other tax returns that may be due to any taxing authority. Each annual engagement will be complete upon the delivery of completed returns to you.

It is your responsibility to provide us with all the information required for preparing complete and accurate returns. You are responsible for the safeguarding of assets, the proper recording of transactions in the books of accounts, the substantial accuracy of the financial records, and the full and accurate disclosure of all relevant facts affecting the return(s) to us.

We may provide you with a questionnaire or other document requesting specific information. Completing those forms will assist us in making sure you are well served for a reasonable fee. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns. We will not verify the information you give us; however, we may ask for additional clarification of some information.

You also have final responsibility for the tax return and, therefore, the appropriate officials should review the return carefully before an authorized officer signs and files it.

You are responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee the bookkeeping and tax services we provide; and for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

If, during our work, we discover information that affects your prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us for the best resolution of the issue.

Our work in connection with the preparation of the tax return(s) does not include any procedures designed to discover defalcations or other irregularities, should any exist. The returns will be prepared solely from information provided to us without verification by us.

In accordance with federal law and under no circumstances will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of a second opinion, or to any other third party for any purpose other than to prepare your return without first receiving your consent.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the due date of the return. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone or by turning over information about those communications to the government, you, your employees, or agents, may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide that it is appropriate for us to disclose any potentially privileged communication; you agree to provide us with written advance authority to make that disclosure.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside adviser's costs, or penalties or fines imposed as a result of your asserting the privilege or your direction to us to assert the privilege. The return(s) may be selected for review by the taxing authorities. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent you. However, such additional services are not included in the fees for the preparation of the tax return(s).

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

If a Federal Single Audit under OMB Circular A-133 is performed, we will complete the appropriate section of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The documentation for this engagement is the property of Christy White Associates and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the State Controller's Office or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Christy White Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

It is our policy to keep documentation related to this engagement for a minimum of seven years after the report release or for any additional period requested by the State Controller's Office. However, we do not keep any of your original records and will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

By signing this engagement letter, you acknowledge and agree that upon the expiration of the seven year period, we are free to destroy our records related to this engagement.

Erin Sacco Pineda is the engagement partner and is responsible for supervising the engagement and signing the report. We will issue our report no later than December 15. We estimate that our fees for these services to Innovations Academy will be as shown in the table below:

| | | (optional) | (optional) |
|------------------------------------|------------------|------------------|------------------|
| | 2012-13 | 2013-14 | 2014-15 |
| Audit Services* | \$ 9,900 | \$ 10,100 | \$ 10,300 |
| Tax Preparation | 1,200 | 1,350 | 1,500 |
| Total Professional Services | \$ 11,100 | \$ 11,450 | \$ 11,800 |

**If an OMB A-133 Federal Single Audit becomes applicable during any given year, an additional \$2,000 will be added to the annual audit services fee.*

The maximum annual fee for auditing services shall not exceed the above amounts, with the exception that any auditing services provided for (1) significant changes in applicable audit and accounting standards, or (2) significant changes in the number of funds or accounts maintained by the Innovations Academy during the period under this agreement, shall be in addition to the above maximum fee.

The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. In accordance with Education Code Section 14505 as amended, ten percent (10%) of the audit fee shall be withheld pending certification of the audit report by the State Controller's Office and fifty percent (50%) of the audit fee shall be withheld for any subsequent year of a multi-year contract if the prior year's audit report was not certified as conforming to the reporting provisions of the Audit Guide. This audit contract is null and void if the firm is declared ineligible to audit K-12 school districts pursuant to subdivision (c) of Education Code Section 41020.5.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation under Rules for Professional Accounting and Related Services Disputes before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties.

Client and auditor both agree that any dispute over fees charged by the auditor to the client will be submitted for resolution by arbitration. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

The first period to be audited shall be for the fiscal year ending June 30, 2013, if agreeable to the auditors and the Innovations Academy. The agreement may be cancelled annually if notified by the client or auditor by February 15 of each year. Additional extensions beyond 2015 may be secured on a year by year basis, subject to the agreement of the Innovations Academy and the auditor.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2011 peer review report accompanies this letter.

Christy White Associates has a non-licensee owner who may provide client services in your contract under the supervision of a licensed owner.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Erin Sacco Pineda
Partner
Christy White Associates

RESPONSE:

This letter correctly sets forth the understanding of Innovations Academy.

Please check your selection:

_____ Audit Only

_____ Audit and Tax Preparation

Signature

Title

Date



**WILKINSON HADLEY
KING & CO. LLP**
CPAs AND ADVISORS

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

Aubrey W. King, CPA
Richard K. Savage, CPA

February 28, 2013

Innovation Academy
10380 Spring Canyon Road
San Diego, CA 92131

We are pleased to confirm our understanding of the services we are to provide for Innovation Academy for the year ended June 30, 2013.

We will audit the statement(s) of financial position of Innovation Academy as of June 30, 2013, and the related statements of activities and cash flows for the year then ended. Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our 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, in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole:

- 1) Schedule of Expenditures of Federal Awards (if applicable)
- 2) Local Education Agency Organization Structure
- 3) Schedule of Average Daily Attendance
- 4) Schedule of Instructional Time
- 5) Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

We will also prepare the organization's federal and state information returns for the year ended June 30, 2013.

Audit Objectives

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. (if applicable)
- State compliance as outlined by the Education Audit Appeals Panel *Audits of California K-12 Local Education Agencies 2012-13 Audit Guide*.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individual charged with governance, others within the organization, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996 (if applicable); and the provisions of OMB Circular A-133 (if applicable), and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133 (if applicable), and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the

financial statements or the Single Audit compliance opinion is other than unqualified (unmodified), we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133 (if applicable). As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee the tax services and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities; to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U. S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us, and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying any significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan (if applicable). The summary schedule of prior audit findings should be available for our review when we come to complete our audit.

If applicable, you are responsible for preparation of the schedule of expenditures of federal awards in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we reported on the schedule of expenditures of federal awards. You also agree to make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the representation letter that (a) you

are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (b) that you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us, previous financial audits attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Innovation Academy Academy's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

If applicable, OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the "OMB Circular A-133 Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the Organization's major programs. The purpose of these procedures will be to express an opinion on Innovation Academy Academy's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

If applicable, at the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The audit documentation for this engagement is the property of Wilkinson Hadley King & Co. LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to oversight agencies or its designees, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Wilkinson Hadley King & Co LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the oversight agencies. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Aubrey W. King is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit on approximately April 15, 2013 and issue our reports no later than December 15, 2013. Information returns will be completed by the extended due date of the returns.

We estimate that our fees for these services will be \$6,100 for the audit and \$850 for the information returns. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2011 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Wilkinson Hadley King & Co., LLP

Wilkinson Hadley King & Co. LLP

RESPONSE:

This letter correctly sets forth the understanding of Innovation Academy.

Officer signature: _____

Title: _____

Date: _____