

LEADERSHIP PUBLIC SCHOOLS, INC.

**Richmond Campus
San Jose Campus
Oakland Campus
Hayward Campus
Home Office**

**Audited Financial Statements
for the Year Ended
June 30, 2010**

LEADERSHIP PUBLIC SCHOOLS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Leadership Public Schools, Inc.

We have audited the statement of financial position of Leadership Public Schools, Inc. (LPS), a California public charter school, as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of LPS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements described above present fairly, in all material respects, the financial position of LPS as of June 30, 2010, and the changes in its net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2010 on our consideration of LPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Leadership Public Schools, Inc.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 18 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying supplementary schedules on pages 14-17 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


VICENTI, LLOYD & STUTZMAN LLP

November 3, 2010

LEADERSHIP PUBLIC SCHOOLS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2010

	<u>RICHMOND CAMPUS</u>	<u>SAN JOSE CAMPUS</u>	<u>OAKLAND CAMPUS</u>	<u>HAYWARD CAMPUS</u>	<u>HOME OFFICE</u>	<u>INTERCOMPANY ELIMINATIONS</u>	<u>TOTAL</u>
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 462,269	\$ 46,851	\$ 9,020	\$ 390,525	\$ 2,001,136	\$ -	\$ 2,909,801
Accounts receivable	842,711	674,981	521,869	735,565	181,899		2,957,025
Contribution receivable					49,400		49,400
Interfund receivable					350,000	(350,000)	-
Prepaid expenses and deposits	16,114	9,964	11,713	11,866	13,622		63,279
Total current assets	<u>1,321,094</u>	<u>731,796</u>	<u>542,602</u>	<u>1,137,956</u>	<u>2,596,057</u>	<u>(350,000)</u>	<u>5,979,505</u>
PROPERTY, PLANT AND EQUIPMENT:							
Improvement of sites	361,006	163,600	32,444	1,142,027	34,601		1,733,678
Equipment and furniture	32,277	21,241	6,783		84,727		145,028
Less: Accumulated depreciation	(393,283)	(55,903)	(15,546)	(228,416)	(109,149)		(802,297)
Total property, plant and equipment, net	<u>-</u>	<u>128,938</u>	<u>23,681</u>	<u>913,611</u>	<u>10,179</u>	<u>-</u>	<u>1,076,409</u>
OTHER LONG-TERM ASSETS:							
Certificate of deposit				250,000			250,000
Total assets	<u>\$ 1,321,094</u>	<u>\$ 860,734</u>	<u>\$ 566,283</u>	<u>\$ 2,301,567</u>	<u>\$ 2,606,236</u>	<u>\$ (350,000)</u>	<u>\$ 7,305,914</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$ 187,884	\$ 291,107	\$ 180,129	\$ 184,691	\$ 11,210	\$ -	\$ 855,021
Accrued liabilities	96,484	125,091	60,320	85,205	204,207		571,307
Interfund payable		250,000	100,000			(350,000)	-
Current portion of loans payable		50,000	50,000	134,746			234,746
Total current liabilities	<u>284,368</u>	<u>716,198</u>	<u>390,449</u>	<u>404,642</u>	<u>215,417</u>	<u>(350,000)</u>	<u>1,661,074</u>
LONG-TERM LIABILITIES:							
Due to governmental agency	51,822						51,822
Loans payable				790,249			790,249
Total long-term liabilities	<u>51,822</u>	<u>-</u>	<u>-</u>	<u>790,249</u>	<u>-</u>	<u>-</u>	<u>842,071</u>
NET ASSETS:							
Unrestricted	984,904	144,536	175,834	1,106,676	2,390,819	-	4,802,769
Total net assets	<u>984,904</u>	<u>144,536</u>	<u>175,834</u>	<u>1,106,676</u>	<u>2,390,819</u>	<u>-</u>	<u>4,802,769</u>
Total liabilities and net assets	<u>\$ 1,321,094</u>	<u>\$ 860,734</u>	<u>\$ 566,283</u>	<u>\$ 2,301,567</u>	<u>\$ 2,606,236</u>	<u>\$ (350,000)</u>	<u>\$ 7,305,914</u>

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

LEADERSHIP PUBLIC SCHOOLS, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

	RICHMOND	SAN JOSE	OAKLAND	HAYWARD	HOME	TOTAL
	CAMPUS	CAMPUS	CAMPUS	CAMPUS	OFFICE	
REVENUES:						
Apportionment revenue	\$ 1,340,071	\$ 709,149	\$ 1,348,324	\$ 1,770,141	\$ -	\$ 5,167,685
Categorical grant revenue	159,225	130,789	116,176	182,521		588,711
Property taxes	738,741	996,810	157,754	604,804		2,498,109
Other State revenue	410,325	333,941	365,667	363,131	15,909	1,488,973
Federal revenue	541,742	408,248	518,664	326,827		1,795,481
Other local revenue	6,836	27,063	4,140	38,500	328	76,867
Contributions	59,212	32,204	18,431	24,842	909,630	1,044,319
Interest income	1,177			7,132	2,472	10,781
Total unrestricted revenues	<u>3,257,329</u>	<u>2,638,204</u>	<u>2,529,156</u>	<u>3,317,898</u>	<u>928,339</u>	<u>12,670,926</u>
EXPENSES:						
Instructional services	2,276,691	1,900,802	2,087,492	2,383,032	(393,856)	8,254,161
Curriculum and staff development	178,626	140,449	161,634	140,666	131,073	752,448
Student services	364,639	275,749	261,830	326,821	1,883	1,230,922
Facilities	261,453	233,540	359,905	261,234	85,181	1,201,313
Management and general	118,194	116,670	117,909	121,290	183,828	657,891
Fundraising expenses	38,321	37,974	37,976	39,526	61,796	215,593
Total expenses	<u>3,237,924</u>	<u>2,705,184</u>	<u>3,026,746</u>	<u>3,272,569</u>	<u>69,905</u>	<u>12,312,328</u>
TRANSFERS:						
From Home Office		100,000	375,000		(475,000)	-
Increase (decrease) in unrestricted net assets	19,405	33,020	(122,590)	45,329	383,434	358,598
Beginning unrestricted net assets	965,499	111,516	298,424	1,061,347	2,007,385	4,444,171
Ending unrestricted net assets	<u>\$ 984,904</u>	<u>\$ 144,536</u>	<u>\$ 175,834</u>	<u>\$ 1,106,676</u>	<u>\$ 2,390,819</u>	<u>\$ 4,802,769</u>

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

LEADERSHIP PUBLIC SCHOOLS, INC.

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

	RICHMOND CAMPUS	SAN JOSE CAMPUS	OAKLAND CAMPUS	HAYWARD CAMPUS	HOME OFFICE	TOTAL
CASH FLOWS from OPERATING ACTIVITIES:						
Change in net assets	\$ 19,405	\$ 33,020	\$ (122,590)	\$ 45,329	\$ 383,434	\$ 358,598
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Depreciation	2,549	25,032	3,245	114,208	23,637	168,671
(Increase) or decrease in operating assets:						
Accounts receivable	(178,236)	(154,016)	(40,605)	(97,055)	(145,752)	(615,664)
Pledge receivable				155	285,442	285,597
Intercompany receivable					(262,394)	(262,394)
Prepaid expenses and other current assets	(7,139)	(1,706)	(2,046)	(1,884)	(1,803)	(14,578)
Increase or (decrease) in operating liabilities:						
Accounts payable and accrued liabilities	84,931	54,021	6,228	56,350	14,276	215,806
Due to governmental agency	(25,911)					(25,911)
Intercompany payable		162,394	100,000			262,394
Net cash provided (used) by operating activities	(104,401)	118,745	(55,768)	117,103	296,840	372,519
CASH FLOWS from INVESTING ACTIVITIES:						
Sales of certificates of deposit				1,407		1,407
Purchases of property, plant and equipment		(21,894)				(21,894)
Net cash provided (used) by investing activities	-	(21,894)	-	1,407	-	(20,487)
CASH FLOWS from FINANCING ACTIVITIES:						
Repayment of debt		(50,000)	(50,000)	(130,363)		(230,363)
Net cash used by financing activities	-	(50,000)	(50,000)	(130,363)	-	(230,363)
Net increase (decrease) in cash and cash equivalents	(104,401)	46,851	(105,768)	(11,853)	296,840	121,669
Cash and cash equivalents at the beginning of the year	566,670	-	114,788	402,378	1,704,296	2,788,132
Cash and cash equivalents at the end of the year	\$ 462,269	\$ 46,851	\$ 9,020	\$ 390,525	\$ 2,001,136	\$ 2,909,801
Cash paid for interest	\$ 692	\$ 3,525	\$ 3,525	\$ 52,442	\$ -	\$ 60,184

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

LEADERSHIP PUBLIC SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities – Leadership Public Schools, Inc. (LPS) is a not-for-profit school development organization founded in 2002 to open and operate a network of outstanding charter high schools in California.

Basis of Presentation – LPS presents its financial statements as a California Non-profit Public Benefit Corporation in accordance with Financial Accounting Standards which govern generally accepted accounting principles for non-profit organizations.

Net Asset Classes – LPS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of LPS consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the organization.
- Temporarily restricted: Net assets restricted by donors to be used for specific purposes. LPS does not currently have any temporarily restricted net assets.
- Permanently restricted: Net assets permanently restricted by donors which cannot be used by LPS. LPS does not currently have any permanently restricted net assets.

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure. Accordingly, actual results could differ from those estimates.

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

LEADERSHIP PUBLIC SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2010

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

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

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

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the asset ranging from seven to forty years. LPS capitalizes all expenditures for land, buildings and equipment in excess of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Income Taxes – LPS is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. LPS has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to LPS's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted would be taxable. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. LPS files informational returns in the U.S. federal jurisdiction, and the state of California. With few exceptions, LPS is no longer subject to U.S. federal, state, and local examinations by tax authorities for years before 2005.

Evaluation of Subsequent Events – The organization has evaluated subsequent events through November 3, 2010, the date these financial statements were available to be issued.

LEADERSHIP PUBLIC SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

NOTE 2 - CONCENTRATION OF CREDIT RISK:

LPS maintains bank accounts with several institutions. Accounts at each of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. LPS occasionally has the need to maintain a cash balance in excess of the FDIC limit.

NOTE 3 - ACCOUNTS AND CONTRIBUTIONS RECEIVABLE:

Accounts and contributions receivable primarily consist of funds due from various governmental, non-profit corporations and private individuals. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded. As all June 30, 2010, all amounts are considered collectible within one year.

NOTE 4 - LOANS PAYABLE:

CDE Loans

As of June 30, 2010, LPS (San Jose, Oakland and Hayward) has three unsecured revolving loans payable to the California Department of Education totaling \$150,000 with an effective interest rate of 3.94%. The repayment terms require annual principal payments of \$150,000 (\$50,000 each) and the loans mature on June 30, 2011.

Hayward Portables

In November 2008, LPS obtained financing for portables at the Hayward campus in the amount of \$1,000,000. A certificate of deposit of \$250,000 was required to be held as collateral under the agreement. The loan has a term of ten years and bears an interest rate of 5.25%. The principal repayment schedule under this loan is as follows:

<u>June 30,</u>	
2011	\$ 84,746
2012	89,260
2013	94,237
2014	99,377
2015	104,798
Thereafter	<u>402,577</u>
Total	<u>\$874,995</u>

In July 2010, LPS sold these portables to 28000 Calaroga LLC (a related party controlled by LPS) and paid off the related financing (See Note 9).

LEADERSHIP PUBLIC SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2010

NOTE 5 - EMPLOYEE RETIREMENT:

Certificated Employees

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

LPS contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Active plan members are required to contribute 8.0% of their salary and LPS is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

LPS' contributions to STRS for each of the last three fiscal years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2008	\$371,732	100%
2009	\$429,327	100%
2010	\$429,359	100%

Classified Employees

LPS offers a defined contribution plan under Internal Revenue Code Section 401(a) for its classified employees. This plan provides for contributions by LPS for eligible employees. LPS has no liability under the plan. LPS contributions were \$148,250 for the year ended June 30, 2010.

LEADERSHIP PUBLIC SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2010

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

LPS is obligated under a five-year operating lease agreement for its administration office located in Oakland, California. Monthly payments are \$5,575 and the lease expires May 2015.

LPS is obligated under a five-year operating lease agreement for facilities at one school site located in San Jose, California. Monthly payments are currently \$10,000 and the lease expires June 2015.

LPS is obligated under a five-year operating lease agreement, effective July 1, 2010, with 28000 Calaroga LLC (a related party controlled by LPS) for facilities at one school site located in Hayward, California. Monthly payments are currently \$27,000 and the lease expires June 2018.

Future minimum payments over the remaining terms of these leases are as follows:

<u>June 30,</u>	
2011	\$511,213
2012	497,199
2013	508,516
2014	520,171
2015	532,176
Thereafter	<u>1,072,477</u>
Total	<u>\$3,641,752</u>

Rental expense under the operating leases amounted to \$318,878 for the year ended June 30, 2010.

NOTE 7 - HOME OFFICE SERVICES AND TRANSFERS:

The Home Office of LPS equally distributes administrative expenses to each charter school.

The management of LPS may, at its own discretion, make transfers of Home Office reserves in order to provide additional fiscal support for the charter schools. These transfers are reviewed by the Finance and Executive committee of the LPS organization.

LEADERSHIP PUBLIC SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2010

NOTE 8 - DUE TO GOVERNMENTAL AGENCY:

The Richmond campus is in the process of repaying \$181,377 to the State over a repayment period of seven years related to an attendance finding that was resolved with the State. The balance at June 30, 2010 was \$51,822.

NOTE 9 - SUBSEQUENT EVENTS:

On July 11, 2010, 28000 Calaroga LLC (a related party controlled by LPS) obtained replacement financing related to facilities at one school site located in Hayward, California. Monthly payments, including interest, are currently \$11,219 and the loan matures in June 2018.

Future maturities of this loan are as follows:

<u>June 30,</u>	
2011	\$75,192
2012	94,603
2013	99,871
2014	105,319
2015	111,064
Thereafter	<u>382,001</u>
Total	<u>\$868,050</u>

SUPPLEMENTARY INFORMATION

LEADERSHIP PUBLIC SCHOOLS, INC.

HISTORY AND ORGANIZATION For the Year Ended June 30, 2010

Leadership Public Schools (LPS) is a tax exempt non-profit, public-benefit corporation that was established in 2002. LPS manages six charter schools authorized by various sponsors under six separate charters. The schools and their charter school numbers are as follows:

- Richmond -- Charter Number: 557
West Contra Costa Unified School District, expires June 30, 2012
- San Jose -- Charter Number: 611
Santa Clara County Office of Education, expires June 30, 2012
- Oakland -- Charter Number: 559
Oakland Unified School District, expires June 30, 2013
- Hayward -- Charter Number: 684
Hayward Unified School District, expires June 30, 2013
- Campbell-- Charter Number: 766
Santa Clara County Office of Education, expired June 30, 2009 -- Inactive
- Stockton -- Charter Number: 758
Santa Clara County Office of Education, expires June 30, 2011 - Inactive

Board of Directors

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
JR Matthews	Chair	2010
Sandy Dean	Treasurer	2012
Laura Fisher	Secretary	2011
Mark Kushner	Member/Founder	2011
Josefina Alvarado-Mena	Member	2012
Marsha Dugan	Member	2012
Jeffrey E. Faucette	Member	2010
Muti Fagbayi	Member	2011
Michael Fauteux	Member	2010
Heather Hiles	Member	2012
Henrik Jones	Member	2010
Deborah McGriff	Member	2012
Stu McLaughlin	Member	2012

LEADERSHIP PUBLIC SCHOOLS, INC.

**HISTORY AND ORGANIZATION
For the Year Ended June 30, 2010**

Board of Directors (continued)

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jack R. Selby	Member	2013
Deborah J. Stipek	Member	2010
Alex Terman	Member	2011

Administrators

Louise Bay Waters	Superintendent / Chief Executive Officer
Joyce Montgomery	Vice President of Finance

LEADERSHIP PUBLIC SCHOOLS, INC.

SCHEDULE OF EXPENDITURES BY STATE CATEGORIES

For the Year Ended June 30, 2010

	RICHMOND		SAN JOSE		OAKLAND		HAYWARD		HOME		TOTAL
	CAMPUS		CAMPUS		CAMPUS		CAMPUS		OFFICE		
EXPENSES BY STATE CATEGORIES:											
1000 Certificated salaries	\$ 1,529,583	\$ 1,264,990	\$ 1,333,562	\$ 1,523,178	\$ 45,377	\$ 5,696,690					
2000 Classified salaries	248,893	256,906	218,601	226,654	1,083,878	2,034,932					
3000 Benefits	362,232	279,385	326,067	347,432	195,569	1,510,685					
4000 Books and supplies	287,187	155,914	252,196	270,378	34,422	1,000,097					
5000 Other operating expenses	354,717	303,989	460,480	297,539	271,680	1,688,405					
6000 Capital expenses and depreciation	2,549	25,032	3,245	114,208	23,637	168,671					
7000 Other outgo and transfers	452,763	418,968	432,595	493,180	(1,584,658)	212,848					
Total expenses	<u>\$ 3,237,924</u>	<u>\$ 2,705,184</u>	<u>\$ 3,026,746</u>	<u>\$ 3,272,569</u>	<u>\$ 69,905</u>	<u>\$ 12,312,328</u>					

See the accompanying notes to supplementary information

LEADERSHIP PUBLIC SCHOOLS, INC.

**SCHEDULE OF INSTRUCTIONAL MINUTES
For the Year Ended June 30, 2010**

	2009-10 Minutes			
	Requirement	Reduced	Actual	Status
Grade 9:				
Richmond Campus	64,800	62,949	66,780	In compliance
San Jose Campus	64,800	62,949	64,465	In compliance
Oakland Campus	64,800	62,949	63,570	In compliance
Hayward Campus	64,800	62,949	64,765	In compliance
Grade 10:				
Richmond Campus	64,800	62,949	66,780	In compliance
San Jose Campus	64,800	62,949	64,465	In compliance
Oakland Campus	64,800	62,949	63,570	In compliance
Hayward Campus	64,800	62,949	64,765	In compliance
Grade 11:				
Richmond Campus	64,800	62,949	66,780	In compliance
San Jose Campus	64,800	62,949	64,465	In compliance
Oakland Campus	64,800	62,949	63,570	In compliance
Hayward Campus	64,800	62,949	64,765	In compliance
Grade 12:				
Richmond Campus	64,800	62,949	66,780	In compliance
San Jose Campus	64,800	62,949	64,465	In compliance
Oakland Campus	64,800	62,949	63,570	In compliance
Hayward Campus	64,800	62,949	64,765	In compliance

See the accompanying notes to supplementary information

LEADERSHIP PUBLIC SCHOOLS, INC.

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2010**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
AVERAGE DAILY ATTENDANCE:				
Grades 9 through 12				
Richmond Campus	351.59	351.59	345.32	345.32
San Jose Campus	288.01	288.74	278.84	278.84
Oakland Campus	256.60	256.60	245.91	245.91
Hayward Campus	402.93	402.93	396.75	397.26
ADA Totals	1,299.13	1,299.86	1,266.82	1,267.33

See the accompanying notes to supplementary information

LEADERSHIP PUBLIC SCHOOLS, INC.

**RECONCILIATION OF ANNUAL FINANCIAL
REPORT WITH AUDITED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2010

	RICHMOND CAMPUS	SAN JOSE CAMPUS	OAKLAND CAMPUS	HAYWARD CAMPUS	TOTAL
June 30, 2010 Annual Financial Report fund balances (net assets)	\$ 984,904	\$ 149,536	\$ 175,834	\$ 1,106,676	\$ 2,416,950
Increasing (decreasing) the fund balance (net assets):					
Accounts receivable	-	(5,000)	-	-	(5,000)
Net adjustments and reclassifications	-	(5,000)	-	-	(5,000)
June 30, 2010 Audited Financial Statement fund balances (net assets)	\$ 984,904	\$ 144,536	\$ 175,834	\$ 1,106,676	\$ 2,411,950

See the accompanying notes to supplementary information

LEADERSHIP PUBLIC SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Richmond Campus	San Jose Campus	Oakland Campus	Hayward Campus	Federal Expenditures
<i>U.S. Department of Education</i>							
Pass Through Program From California Department of Education:							
No Child Left Behind Act and American Recovery and Reinvestment Act:							
Title I Cluster:							
Title I, Part A, Basic Grants							
Low-Income and Neglected	84.010A	N/A	\$ 108,474	\$ 65,641	\$ 99,930	\$ 95,481	\$ 369,526
Title I ARRA	84.389	N/A	<u>61,303</u>	<u>31,461</u>	<u>55,368</u>	<u>39,068</u>	<u>187,200</u>
Subtotal: Title I Cluster			169,777	97,102	155,298	134,549	556,726
Title II	84.367A	N/A	7,301	4,920	6,762	6,544	25,527
Title III	84.365	N/A	10,800	7,400	8,100	6,700	33,000
Title IV Part B 21st Century	84.287	N/A	169,989	169,921	130,500	-	470,410
ARRA: State Stabilization Fund	84.394	N/A	164,270	136,252	135,353	176,339	612,214
State Charter School Facilities	84.282D	N/A	-	-	100,152	-	100,152
Special Education	84.027A	N/A	47,500	39,803	41,563	59,046	187,912
ARRA: Special Education	84.391	N/A	<u>49,254</u>	<u>41,272</u>	<u>43,097</u>	<u>61,226</u>	<u>194,849</u>
<i>Total U.S Department of Education</i>			<u>618,891</u>	<u>496,670</u>	<u>620,825</u>	<u>444,404</u>	<u>2,180,790</u>
<i>U.S. Department of Agriculture:</i>							
Child nutrition Programs	10.555	N/A	<u>112,096</u>	<u>46,027</u>	<u>45,493</u>	<u>52,877</u>	<u>256,493</u>
<i>Total U.S Department of Agriculture</i>			<u>112,096</u>	<u>46,027</u>	<u>45,493</u>	<u>52,877</u>	<u>256,493</u>
Total Federal Expenditures			<u>\$ 730,987</u>	<u>\$ 542,697</u>	<u>\$ 666,318</u>	<u>\$ 497,281</u>	<u>\$ 2,437,283</u>
Reconciliation of Federal Revenues:							
Total Federal Expenditures			\$ 730,987	\$ 542,697	\$ 666,318	\$ 497,281	\$ 2,437,283
Title II	84.367A		(5)	40	(2,294)	(24)	(2,283)
State Charter School Facilities	84.282D		(15,276)	-	-	-	(15,276)
ARRA: State Stabilization Fund	84.394		(140,508)	(114,060)	(116,458)	(149,226)	(520,252)
Title I ARRA	84.389		<u>(33,456)</u>	<u>(20,429)</u>	<u>(28,902)</u>	<u>(21,204)</u>	<u>(103,991)</u>
Total Federal Revenues			<u>\$ 541,742</u>	<u>\$ 408,248</u>	<u>\$ 518,664</u>	<u>\$ 326,827</u>	<u>\$ 1,795,481</u>

See the accompanying notes to supplementary information.

LEADERSHIP PUBLIC SCHOOLS, INC.

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Expenditures by State Categories

This schedule presents expenses by the object codes according to state categories for analysis purposes.

B. Schedule of Instructional Minutes

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

C. Schedule of Average Daily Attendance (ADA)

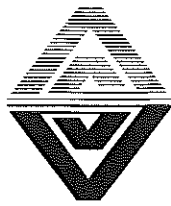
Average daily attendance is a measurement of the number of pupils attending classes of LPS schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the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

D. Reconciliation of Annual Financial Report with Audited Financial Statements

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

E. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule was prepared for the district and is presented on the modified accrual basis of accounting.



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

Board of Directors
Leadership Public Schools

We have audited the financial statements of Leadership Public Schools, Inc. (LPS) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LPS's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LPS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LPS's internal control over financial reporting.

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

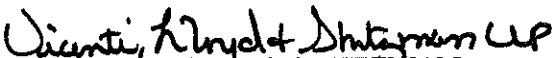
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

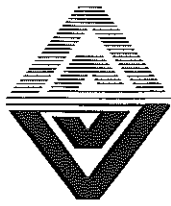
Compliance and Other Matters

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

This report is intended solely for the information of the Board, management, the West Contra Costa Unified School District, the Contra Costa County Office of Education, the Hayward Unified School District, the El Dorado County Office of Education Special Education Local Plan Area, the Santa Clara County Office of Education, the Oakland Unified School District, the Alameda County Office of Education, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 3, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Leadership Public Schools

Compliance

We have audited the compliance of Leadership Public Schools, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Leadership Public Schools, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Leadership Public Schools, Inc.'s management. Our responsibility is to express an opinion on Leadership Public Schools, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Leadership Public Schools, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Leadership Public Schools, Inc.'s compliance with those requirements.

In our opinion, Leadership Public Schools, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Internal Control over Compliance

The management of Leadership Public Schools, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Leadership Public Schools, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Leadership Public Schools, Inc.'s internal control over compliance.

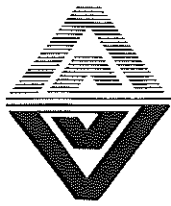
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal controls over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

This report is intended solely for the information of the Board, management, the West Contra Costa Unified School District, the Contra Costa County Office of Education, the Hayward Unified School District, the El Dorado County Office of Education Special Education Local Plan Area, the Santa Clara County Office of Education, the Oakland Unified School District, the Alameda County Office of Education, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 3, 2010



REPORT ON STATE COMPLIANCE

Board of Directors
 Leadership Public Schools

We have audited the financial statements of Leadership Public Schools, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated November 3, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of The United States, and the *2009-10 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Leadership Public Schools, Inc.'s management is responsible for Leadership Public Schools, Inc.'s compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine Leadership Public Schools, Inc.'s compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	8	Not applicable
Kindergarten continuance	3	Not applicable
Continuation education	10	Not applicable
Independent study	23	Not applicable

REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Not applicable
County Offices of Education	3	Not applicable
Class size reduction program: (including charter schools)		
General requirements	7	Not applicable
Option 1	3	Not applicable
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Instructional materials general requirements	8	Not applicable
Ratios of administrative employees to teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Not applicable
School Accountability Report Card	3	Not applicable
Public hearing requirement—receipt of funds	1	Not applicable
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes
Mode of Instruction	1	Yes
Nonclassroom based instructional/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	3	Yes

Based on our audit, we found that, for the items tested, Leadership Public Schools, Inc. complied with the laws and regulations of the state programs referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Leadership Public Schools, Inc. had not complied with the laws and regulations of state programs and requirements.

REPORT ON STATE COMPLIANCE

This report is intended solely for the information of the Board, management, the West Contra Costa Unified School District, the Contra Costa County Office of Education, the Hayward Unified School District, the El Dorado County Office of Education Special Education Local Plan Area, the Santa Clara County Office of Education, the Oakland Unified School District, the Alameda County Office of Education, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 3, 2010

LEADERSHIP PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued November 3, 2010:	<i>Unqualified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)?	<i>No</i>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.389	Title I ARRA
84.027	Special Education
84.391	Special Education ARRA
84.394	ARRA – State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?	<i>Yes</i>
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LEADERSHIP PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2010

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings noted for the year ended June 30, 2010.

LEADERSHIP PUBLIC SCHOOLS

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010**

There were no prior year findings.