

EL CAMINO REAL ALLIANCE

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2015**

Operating:
EL CAMINO REAL CHARTER HIGH SCHOOL

EL CAMINO REAL ALLIANCE

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Feddersen & Company, LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board
El Camino Real Alliance
Woodland Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of El Camino Real Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report
Members of the Governing Board
El Camino Real Alliance
Woodland Hills, California
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Camino Real Alliance as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The Management's Discussion and Analysis on pages 3 – 7 and the accompanying supplementary information on pages 21 – 28, are presented for purposes of additional analysis and are also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of El Camino Real Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Camino Real Alliance's internal control over financial reporting and compliance.

Jedderson & Company, LLP

Agoura Hills, California
November 13, 2015

EL CAMINO REAL ALLIANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

The Management Discussion and Analysis section of El Camino Real Alliance's (the Organization) financial report presents an overall review of the Organization's financial performance during the fiscal year that ended on June 30, 2015. Readers should also review the notes to the financial statements to enhance their understanding of the Organization's financial performance.

FINANCIAL HIGHLIGHTS

- Net assets increased \$4,352,683 or 43.5 percent over the course of the year.
- Total revenues received were \$34,152,922 for the fiscal year ended June 30, 2015.
- The Organization incurred \$29,800,239 in expenses for the fiscal year ended June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and supplementary information. The financial statements also include *notes* that explain some of the statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL

Net assets. The Organization's net assets of \$14,357,676 were greater on June 30, 2015 than they were the prior year, increasing by \$4,352,683 or 43.5 percent (See Table 1.) Table 1 provides a summary of the Organization's net assets for the fiscal years ended 2015 and 2014.

Table 1
El Camino Real Alliance's Net Assets

Summary of Statement of Net Assets	Governmental Activities		Total Change	Total % Change
	2014	2015		
Cash and cash equivalents	\$ 5,434,638	\$ 7,499,034	\$ 2,064,396	38.0 %
Cash held in trust	113,347	-	(113,347)	(100.0 %)
Certificates of deposit	1,989,329	5,243,447	3,254,118	163.6 %
Accounts receivable	4,208,221	3,152,569	(1,055,652)	(25.1 %)
Prepaid expenditures and deposits	396,243	674,769	278,526	70.3 %
Property and equipment, net	618,117	999,942	381,825	61.8 %
Total Assets	<u>12,759,895</u>	<u>17,569,761</u>	<u>4,809,866</u>	<u>37.7 %</u>
Current liabilities	<u>2,754,902</u>	<u>3,212,085</u>	<u>457,183</u>	<u>16.6 %</u>
Total Liabilities	<u>2,754,902</u>	<u>3,212,085</u>	<u>457,183</u>	<u>16.6 %</u>
Net assets – unrestricted operational	5,004,993	9,357,676	4,352,683	87.0 %
Net assets – unrestricted facilities	5,000,000	5,000,000	-	- %
Total Net Assets	<u>\$10,004,993</u>	<u>\$14,357,676</u>	<u>\$ 4,352,683</u>	<u>43.5 %</u>

EL CAMINO REAL ALLIANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

Net assets continued. Total assets were \$17,569,761, 42.7 percent in cash in banks, 29.8 percent in certificates of deposit, 17.9 percent in accounts receivable, 5.8 percent in property and equipment, and 3.8 percent in prepaid expenses and deposits. Total liabilities were \$3,212,085. Current liabilities account for 100.0 percent of the total liabilities and consist of 43.2 percent in accounts payable, 3.3 percent in accrued payroll and payroll liabilities, 22.9 percent in due to grantor, and 30.6 percent in unearned revenue. Of the Organization's \$14,357,676 net assets, 100.0 percent were unrestricted. The board of directors has designated an unrestricted amount of \$5,000,000 for facilities.

Table 2
Analysis of El Camino Real Alliance's Net Assets

Summary of Statement of Activities	<u>2014</u>	<u>2015</u>
Program revenues	\$ 29,572,955	\$ 34,115,143
General revenues	<u>5,746</u>	<u>37,779</u>
Total Revenues	<u>29,578,701</u>	<u>34,152,922</u>
Program expenses	21,254,218	24,002,621
Management and general expenses	<u>5,024,319</u>	<u>5,797,618</u>
Total Expenses	<u>26,278,537</u>	<u>29,800,239</u>
Change in Net Assets	3,300,164	4,352,683
Net Assets, Beginning	<u>6,704,829</u>	<u>10,004,993</u>
Net Assets, Ending	<u>\$ 10,004,993</u>	<u>\$ 14,357,676</u>

Statement of Revenues, Expenses and Changes in Net Assets. Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Activities. The purpose of this statement is to present the revenues earned, whether received or not, by the Organization, and the expenses incurred, whether paid or not, by the Organization. Thus, this statement presents the Organization's results of operations.

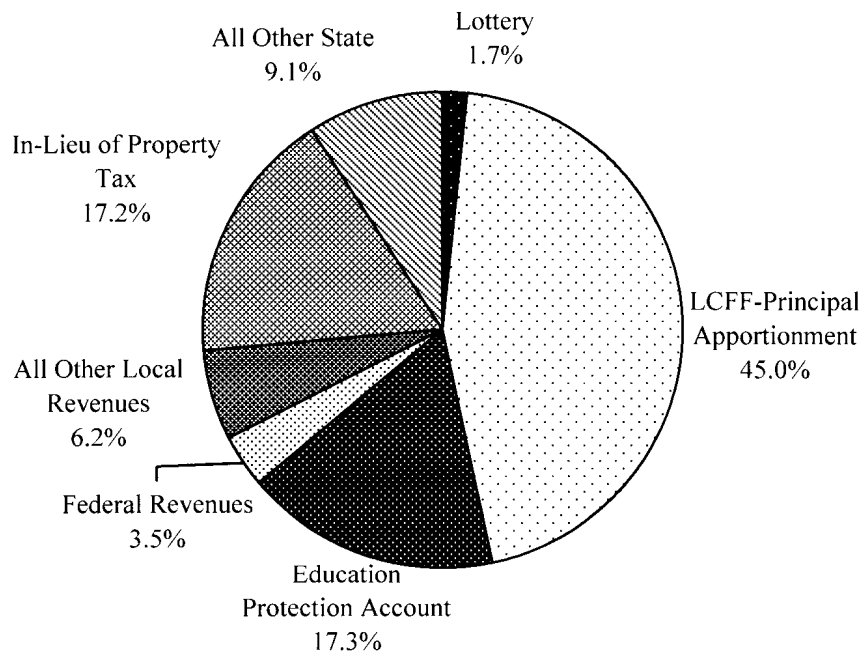
EL CAMINO REAL ALLIANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

Governmental Activities

By the end of the fiscal year, the revenues for the Organization's activities totaled \$34,152,922. LCFF principal apportionment was 45.0 percent of total funding, 17.3 percent from education protection account and 17.2 percent from in-lieu of property taxes. State lottery funds comprised 1.7 percent and all other state funding was 9.1 percent of total funding. Federal funding was 3.5 percent and the remaining 6.2 percent was from all other local revenue sources.

Figure 1
El Camino Real Alliance's Revenues for Fiscal Year 2015
Analysis of Revenue Sources

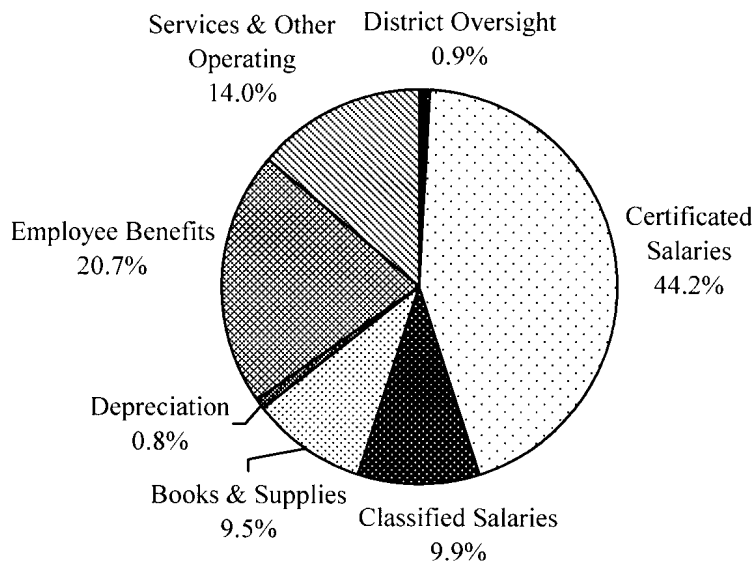


EL CAMINO REAL ALLIANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

The cost of all the Organization's major activities: instruction, guidance, counseling, evaluation, school leadership, administration, maintenance and operations was \$29,800,239. Program service expenses accounted for \$24,002,621 or 80.5 percent of total expenses, while \$5,797,618 or 19.5 percent were management and general support expenses.

Figure 2
El Camino Real Alliance's Expenses for Fiscal Year 2015



General Budgetary Highlights

Per the charter for El Camino Real Charter High School, the Los Angeles Unified School District requires that the school shall prepare and submit to the District a provisional budget, interim biannual financial projections, and final budgets that certify the school is able to meet its financial obligations for the remainder of the fiscal year.

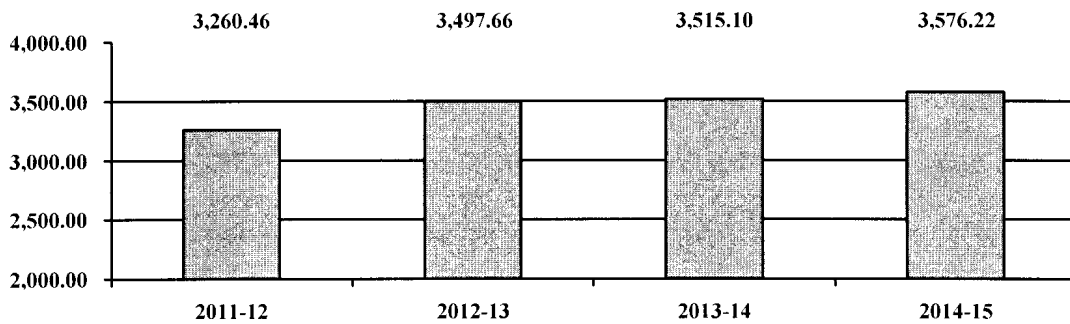
EL CAMINO REAL ALLIANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

Average Daily Attendance

Average Daily Attendance at the second period report for El Camino Real Charter High School increased by 61.12 to 3,576.22 for the fiscal year ended June 30, 2015. El Camino Real Charter High School continues to focus on attendance in the 2015-16 school year.

Second Period Report Average Daily Attendance



Factors Bearing on the School's Future

- Although the Organization is financially stable, its financial condition is highly dependent upon the economic condition of the State of California.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. David Fehte, Principal at (818) 595-7500.

EL CAMINO REAL ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

	El Camino Real Charter High School
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 7,499,034
Certificates of Deposit	5,243,447
Accounts Receivable	3,152,569
Prepaid Expenditures	674,769
Total Current Assets	<u>16,569,819</u>
 PROPERTY AND EQUIPMENT, NET	 <u>999,942</u>
 Total Assets	 <u><u>\$ 17,569,761</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 1,390,302
Accrued Payroll and Payroll Liabilities	105,023
Due to Grantor	734,455
Unearned Revenue	982,305
Total Current Liabilities	<u>3,212,085</u>
 Total Liabilities	 3,212,085
NET ASSETS	
Unrestricted	
Available for Operations	9,357,676
Board Designated - Facilities	5,000,000
Total Net Assets	<u>14,357,676</u>
 Total Liabilities and Net Assets	 <u><u>\$ 17,569,761</u></u>

The accompanying notes are an integral part of these financial statements

EL CAMINO REAL ALLIANCE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

UNRESTRICTED NET ASSETS	El Camino Real
SUPPORT AND REVENUES	<u>Charter High School</u>
LCFF Sources:	
Principal Apportionment State Aid	\$ 15,382,100
Education Protection Account	5,897,720
In-Lieu of Property Taxes	5,882,059
Federal Revenue	1,190,975
Other State Revenue:	
Special Education	1,994,959
Lottery Revenue	574,029
All Other	1,113,569
Local Revenue:	
Food Service Sales	69,115
All Other	2,010,617
Other Revenue:	
Interest Income	32,325
Unrealized Gain on Investments	5,454
	<hr/>
Total Unrestricted Revenue	34,152,922
	<hr/>
EXPENSES	
PROGRAM EXPENSES	
Educational	24,002,621
SUPPORT SERVICES	
Management and General	5,797,618
	<hr/>
Total Unrestricted Expenses	29,800,239
	<hr/>
Increase in Unrestricted Net Assets	4,352,683
UNRESTRICTED NET ASSETS	
Beginning of Year	<hr/> 10,004,993
End of Year	<hr/> <hr/> \$ 14,357,676

The accompanying notes are an integral part of these financial statements

EL CAMINO REAL ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	El Camino Real Charter High School
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in Net Assets	\$ 4,352,683
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	252,573
Unrealized Gain on Investments	(5,454)
(Increase) Decrease in Assets:	
Cash Held in Trust	113,347
Accounts Receivable	1,055,652
Prepaid Expenditures	(278,526)
Increase (Decrease) in Liabilities:	
Accounts Payable	1,193,076
Accrued Payroll and Payroll Liabilities	(48,962)
Amount Held for Others	(450,071)
Due to Grantor	(26,536)
Unearned Revenue	(210,324)
Net Cash Provided by Operating Activities	<u>5,947,458</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Property and Equipment	(432,584)
Construction in Progress	(201,814)
Investments in Certificates of Deposit	(3,248,664)
Net Cash Used for Investing Activities	<u>(3,883,062)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net Cash Used for Financing Activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	2,064,396
Cash, Beginning of Year	<u>5,434,638</u>
Cash, End of Year	<u>\$ 7,499,034</u>

The accompanying notes are an integral part of these financial statements

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities – El Camino Real Alliance (the Organization) is a California non-profit public benefit corporation and is organized to manage and operate public charter schools. For the year ended June 30, 2015, the Organization operated one public charter school: El Camino Real Charter High School (the School). The School serves students in grades nine through twelve and is funded principally through State of California public education monies received through the California Department of Education and the Los Angeles Unified School District.

The Los Angeles Unified School District (the District) is the chartering authority for the School. California Education Code section 47604(c) states that the District shall not be liable for the debts or obligations of the charter school. The District granted the School its first charter in May 2011. The current charter granted is for the period from August 15, 2011 to June 30, 2016.

Charters may be revoked by the District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Basis of Accounting – The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The School uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Basis of Presentation – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Net assets of the School and changes therein are classified and reported as follows:

- *Unrestricted* – All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- *Temporarily Restricted* – These net assets are restricted by donors to be used for specific purposes. The School does not currently have any temporarily restricted net assets.
- *Permanently Restricted* – These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. All other restricted revenues are reported as increases in temporarily restricted net assets.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – The School receives Federal, State and local revenues for their various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance of students. Unearned revenue is recorded to the extent cash received on grants exceeds qualified expenses. Some government grants are based on reimbursable costs as defined by the grants. Reimbursements recorded under these grants are subject to audit by the granting agency. Management believes that no material adjustments will result from subsequent audits of costs reflected in the accompanying financial statements.

Cash and Cash Equivalents – For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

Unearned Revenue – Unearned revenue results from the School's foreign exchange student program recognizing the revenue in the period in which the related educational instruction is performed. Accordingly, foreign exchange student program revenues received for the next school year are deferred until the instruction commences and the common core implementation funds expenditures are recorded.

Accounts Receivable – Accounts receivable primarily represent amounts due from federal, state and local governments as of June 30, 2015. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Fixed Assets – Property and equipment are recorded at cost when purchased. Donated fixed assets are recorded at fair value on the date of donation. Purchases and donations greater than \$1,000 are capitalized. Contributions of donated fixed assets are reported as increases to unrestricted net assets unless the donor has stipulated that the donation has a specific purpose. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. For additional information, see Note 5.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant management estimates included in the financial statements are the collectability of the receivables, the estimated useful lives of fixed assets, and the functional allocation of expenses.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Expenses are charged to each program based on direct expenses incurred. Any program expenses not directly chargeable to a program are allocated among program and support services by a method that best measures the relative degree of benefit.

Income Taxes – The Organization is exempt from federal and state income tax under 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been reflected in these financial statements. The Organization has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination; therefore, no accounting adjustment has been made to the financial statements and no disclosures of uncertain income tax positions are required. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The School maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The School has not experienced any losses in such accounts. At June 30, 2015, deposits in excess of the FDIC limit amount to approximately \$7,250,000. Management believes the School is not exposed to any significant credit risk related to cash.

NOTE 3 – CERTIFICATES OF DEPOSIT

The certificates bear interest ranging from 0.2 percent to 3.3 percent and have maturities ranging from 14 months to 60 months. Any penalties for early withdrawal would not have a material effect on the financial statements.

NOTE 4 – EMPLOYEE BENEFIT PLANS

Qualified employees of the School are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). All employees who are not members of CalSTRS or CalPERS must contribute to the federal Social Security system.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 – EMPLOYEE BENEFIT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS)

Plan EIN:	94-6291617
Actuarial value of assets:	\$158,495
Actuarial accrued liability:	\$231,213
Funded status:	68.5 percent

The actuarial value of assets and accrued liability are expressed in millions and are valued as of June 30, 2014, the most recent actuarial valuation date.

Plan Description

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

Funding Policy

Increases in pension contributions for all parties took effect July 1, 2014, and will be phased in over the next several fiscal years. "Classic" active plan members, not subject to provisions of the Public Employees' Pension Reform Act of 2013 (PERPA), are required to contribute 8.15 percent of their salary, and will see their contributions increase by a total of 2.25 percent of payroll phased in over the next three fiscal years, capped at 10.25 percent. Active new members subject to PERPA, are required to contribute 8.15 percent of their salary, and will see their contributions increase by a total of 1.205 percent, capped at 9.205 percent. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for the fiscal year 2014-2015 was 8.88 percent of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute. The School's required contributions to CalSTRS for the fiscal years ending June 30, 2015, 2014 and 2013 was \$1,145,994, \$1,028,236, and \$986,764 respectively, and equals 100.0 percent of the required contributions for each year. For the fiscal year 2016, the School is required to contribute 10.73 percent of annual payroll.

California Public Employees' Retirement System (CalPERS)

Plan EIN:	94-6207465
Market value of assets:	\$56,838
Actuarial accrued liability:	\$65,599
Funded status:	86.6 percent

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 – EMPLOYEE BENEFIT PLANS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

The market value of assets and the actuarial accrued liability are expressed in millions and are valued as of June 30, 2014, the most recent actuarial valuation date.

Plan Description

The School contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

Funding Policy

Classic active plan members are required to contribute 7.0 percent of their salary. Active new members subject to PERPA are required to contribute 6.0 percent of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2014-2015 was 11.771 percent of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute. The School's required contributions to CalPERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$323,686, \$317,803, and \$284,871 respectively, and equals 100.0 percent of the required contributions for the year. For the fiscal year 2016, the School is required to contribute 11.847 percent of annual payroll.

NOTE 5 – FIXED ASSETS

A schedule of changes in property and equipment and accumulated depreciation for the year ended June 30, 2015, is as follows:

SUMMARY OF CHANGES IN PROPERTY AND EQUIPMENT

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>
Computer and Equipment	\$ 486,798	\$ 181,305	\$ -	\$ 668,103
Buildings	141,467	-	-	141,467
Furniture	80,963	186,069	-	267,032
Leasehold Improvements	91,025	65,210	-	156,235
Construction in Progress	-	201,814	-	201,814
Totals	<u>\$ 800,253</u>	<u>\$ 634,398</u>	<u>\$ -</u>	<u>\$ 1,434,651</u>

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 – FIXED ASSETS (CONTINUED)

SUMMARY OF CHANGES IN ACCUMULATED DEPRECIATION

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>
Computer and Equipment	\$ 98,499	\$ 126,254	\$ -	\$ 224,753
Buildings	47,399	47,034	-	94,433
Furniture	18,043	23,008	-	41,051
Leasehold Improvements	<u>18,195</u>	<u>56,277</u>	<u>-</u>	<u>74,472</u>
Totals	<u>\$ 182,136</u>	<u>\$ 252,573</u>	<u>\$ -</u>	<u>\$ 434,709</u>

During the fiscal year ended June 30, 2015, \$252,573 was charged to depreciation expense.

NOTE 6 – OPERATING LEASE

The School is a party to one operating lease for operational facilities to provide a “continuation education program” for 125 to 200 students in grades nine through twelve who are at risk of not completing their education.

Los Angeles Unified School District – The lease is co-terminus with the School’s charter petition, commencing August 15, 2012 with the term ending June 30, 2016. There is a first option period to extend the term of this lease for a period not to exceed June 30, 2021. The lease is payable annually in the amount of 10.0 percent of Average Daily Attendance at the site or \$72,000, whichever is greater. Rent expense for the year ended June 30, 2015 was \$72,000.

Future minimum lease payments under the lease agreement are as follow as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2016	<u>\$ 72,000</u>
	<u>\$ 72,000</u>

NOTE 7 – COMMITMENTS

In October 2012, the School signed a sole occupant agreement with the Los Angeles Unified School District (the District) for use of property located at 5440 Valley Circle Blvd., Woodland Hills, California. The agreement carries a term that coincides with the School’s charter. The agreement does not require the School to pay a lease amount for the use of the property, but instead, the Schools pays a Pro Rata Share Charge based on the square feet used. This Pro Rata Share Charge paid to the District for the School for the year ended June 30, 2015 was \$217,036.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 – LINE OF CREDIT

The School has a line of credit with Pacific Western Bank, allowing for borrowings up to \$4,500,000 with a maturity date of October 15, 2015. Interest accrues at a variable rate based on the bank's base rate plus 1.5 percent, with a floor of 5.5 percent. The rate at June 30, 2015 was 5.5 percent. There was no outstanding balance on the line of credit at June 30, 2015 and 2014.

NOTE 9 – POST-RETIREMENT BENEFITS

On June 1, 2015, the El Camino Real Alliance Public School Employee Retirement Healthcare Benefits Trust (the Trust) was established. The trust was established to hold assets solely for the benefit of one or more specified retirement healthcare benefit plans (the Plans) sponsored and provided to qualified public school employees and beneficiaries of the Organization. The trust is not established for retirement benefits other than public school employee retirement benefits under the Plans or for retirement benefits with respect to any employee of any employer other than the School. The Plan is a single employer plan and provides medical, dental and vision benefits to qualified employees who retire from the School. The Plan provides for a benefit determined by a formula based on the employees' years of service and age at retirement. An actuarial calculation of the estimated present value of medical, dental and vision benefits to the participants of El Camino Real High School Post-Retirement Medical Plan was performed for the year ended June 30, 2015 that amount is approximately \$ 47,100,000. The \$ 47,100,000 represents the present value of all benefits expected to be paid in the future, which includes benefits attributable to both past and future services. The calculation did not reflect the potential impact of the Medicare Part D benefits. Information relating to the School's Post-Retirement Medical Plan is shown in the following table:

Discount rate to compute the present value of the estimated benefits	5.00 percent compounded annually
Health Care Cost Trend Factors – Pre-Retirement Trend Rate	Medical premiums will increase by: 5.30 percent in the first year, 5.20 percent for the 2 nd through 7 th year, 5.10 percent for the 8 th through 10 th year, 5.20 percent for the 11 th through 13 th year, 5.30 percent for the 14 th year, 5.40 percent for the 15 th year, 5.80 percent for the 16 th year, 6.20 percent for the 17 th through 20 th year, and slowly trends down to 4.40 percent in year 2084. Dental and vision premiums will increase by 5.00 percent from year 2015 through year 2064, and slowly trends down to 4.40 percent in year 2084.
Health Care Cost Trend Factors – Post-Retirement Trend Rate	Medical premiums will increase by: 5.60 percent in the first year, 5.40 percent in the second year, 5.20 percent in the 3 rd through 8 th year, 5.10 percent in the 9 th and 10 th year, 5.20 percent in the 11 th through 18 th year, 5.30 percent in the 19 th and 20 th year, and eventually trends to 4.50 percent in year 2088. Dental premiums will increase by 5.0 percent from years 2015 to 2057, and eventually stays level at 4.50 percent in year 2088.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9 – POST-RETIREMENT BENEFITS (CONTINUED)

Effect of a one-percentage-point increase in trend rates – APBO (Accumulated Post Retirement Benefit)	Trend \$20.9 million, APBO trend +1 is \$25.7 million and APBO trend -1 is \$17.2 million.
Trend in compensation costs	Not applicable
Discount rate used to compute the accumulated post-retirement benefit obligation	5.00 percent compounded annually.
Funding policy and status	The School will fund the plan for the fiscal year ended June 30, 2015 by \$1,000,000 and by at least \$1,200,000 for each fiscal year thereafter.
Cost of providing termination benefits recognized during the period	The cost of providing benefits for the fiscal year ended June 30, 2015 – Not calculated.
Components of post-retirement expense	Service cost is \$1.8 million, interest cost is \$1.04 million.
Accumulated post-retirement benefit obligation showing separately the amount applicable to retirees, other eligible participants, and other active participants	Retirees – \$0, Eligible –\$2.1 million, and Ineligible - \$18.8 million.
Fair market value of plan assets	None at the time of calculated liabilities. \$1,000,000 at June 30, 2015.
Return on plan assets on an after-tax basis	It is estimated that the future return on plan assets will be 4.00 – 6.00 percent per annum.
Amount by which APBO is reduced for the subsidy	The APBO is reduced by \$ 240,000 if excise tax is excluded.
Effect of subsidy in the measurement of net periodic post-retirement benefit cost	Service cost remains at \$ 1.8 million and interest cost is reduced to \$ 1 million if excise tax is excluded.

The post-retirement plan exposes the School to actuarial risks, such as longevity risk; market risk; interest rate risk and liquidity risk.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10 – PARTICIPATION IN JOINT POWERS AUTHORITY

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

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and the Organization are included in these statements. Audited financial statements for CharterSAFE are available from the respective agency.

NOTE 11 – CONTINGENCIES

The School has received federal, state and local funds for specific purposes subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, management believes that any required reimbursement, would not be material.

NOTE 12 – SUBSEQUENT EVENTS

The School's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 13, 2015, the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

EL CAMINO REAL ALLIANCE

SUPPLEMENTARY INFORMATION SECTION

**FOR THE YEAR ENDED
JUNE 30, 2015**

Operating:
EL CAMINO REAL CHARTER HIGH SCHOOL

EL CAMINO REAL ALLIANCE

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2015

ORGANIZATION

El Camino Real Alliance (the Organization) was established in 2011 and is a non-profit public benefit corporation organized to manage and operate public charter schools. For the year ended June 30, 2015, the Organization operated one public charter school: El Camino Real Charter High School (the School). The School began serving students in August 2011. The School's charter was approved in May 2011 and is sponsored by the Los Angeles Unified School District. El Camino Real Charter High School's charter number authorized by the state of California is 1314.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM</u>	<u>TERM EXPIRES</u>
Jeffrey Falgien	President	Three Years	June 30, 2017
Donna Slamon	Secretary	Three Years	June 30, 2016
Jackie Keene	Treasurer	Three Years	June 30, 2017
Denny Thompson	Member	Three Years	June 30, 2017
Odus Caldwell	Member	Three Years	June 30, 2016
Jonthan Wasser	Member	Three Years	June 30, 2017
Peter Vastenhold	Member	Three Years	June 30, 2016

EXECUTIVE DIRECTOR / PRINCIPAL

David Fehte

CHIEF BUSINESS OFFICIAL

Marshall Mayotte

EL CAMINO REAL ALLIANCE

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE YEAR ENDED JUNE 30, 2015

El Camino Real Charter High School:

	<u>Second Period Report</u>			<u>Annual Report</u>		
	<u>Classroom Based</u>	<u>Independent Study</u>	<u>Total ADA</u>	<u>Classroom Based</u>	<u>Independent Study</u>	<u>Total ADA</u>
Grades 9 through 12	<u>3,525.69</u>	<u>50.53</u>	<u>3,576.22</u>	<u>3,494.31</u>	<u>52.36</u>	<u>3,546.67</u>
ADA Totals	<u><u>3,525.69</u></u>	<u><u>50.53</u></u>	<u><u>3,576.22</u></u>	<u><u>3,494.31</u></u>	<u><u>52.36</u></u>	<u><u>3,546.67</u></u>

See auditor's report and the notes to supplementary information

EL CAMINO REAL ALLIANCE

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE YEAR ENDED JUNE 30, 2015

El Camino Real Charter High School:

	2014-15 Minutes		Number of Days Traditional Calendar	Status
	Requirement*	Actual		
Grade 9	62,949	65,675	180	In Compliance
Grade 10	62,949	65,675	180	In Compliance
Grade 11	62,949	65,675	180	In Compliance
Grade 12	62,949	65,675	180	In Compliance

* As reduced pursuant to the provision of Education Code Section 46201.2.

EL CAMINO REAL ALLIANCE

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

El Camino Real Charter High School:

	Program Services	Support Services	
	Educational	Management and General	Total
Compensation and Related Expenses			
Salaries - Certificated	\$ 12,189,849	\$ 987,125	\$ 13,176,974
Salaries - Classified	1,538,813	1,398,207	2,937,020
Employee Benefits	5,231,890	939,162	6,171,052
Total Compensation and Related Expenses	18,960,552	3,324,494	22,285,046
Books and Supplies	1,912,686	910,750	2,823,436
Services and Other Operating Expenses	3,129,383	1,038,182	4,167,565
Depreciation and Amortization	-	252,573	252,573
District Oversight	-	271,619	271,619
Total	\$ 24,002,621	\$ 5,797,618	\$ 29,800,239

See auditor's report and the notes to supplementary information

EL CAMINO REAL ALLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through Program from California Department of Education: National School Lunch Program	10.555	13523	<u>\$ 231,863</u>
Total U.S. Department of Agriculture			231,863
U.S. Department of Education			
Pass-Through Program from California Department of Education: Special Education - Grants to States; Individuals with Disabilities Education Act (IDEA, Part B)	84.027	13379	682,030
Title I Grants to Local Educational Agencies	84.010	14329	254,869
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	14831	14,319
Improving Teacher Quality State Grants	84.367	14341	<u>7,894</u>
Total U.S. Department of Education			<u>959,112</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,190,975</u></u>

See accompanying notes to the schedule of expenditures of federal awards

EL CAMINO REAL ALLIANCE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of El Camino Real Alliance under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of El Camino Real Alliance, it is not intended to and does not present the financial position, changes in net assets, or cash flows of El Camino Real Alliance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. Pass-through entity identifying numbers are presented where available.

EL CAMINO REAL ALLIANCE

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	El Camino Real Charter High School
June 30, 2015 Annual Financial and Budget Report Fund Balance (Net Assets)	\$ 13,768,487
Adjustments and Reclassifications Increase (Decrease):	
Current Liabilities / Other Local Revenue	<u>589,189</u>
June 30, 2015 Audited Financial Statement Fund Balance (Net Assets)	<u><u>\$ 14,357,676</u></u>

See auditor's report and the notes to supplementary information

EL CAMINO REAL ALLIANCE

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES:

A. Local Education Agency Organization Structure

This schedule provides information about the date and granting authority for the Schools that El Camino Real Alliance (the Organization) operates, members of the governing board, and members of the administration.

B. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the Schools operated by the Organization. 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.

C. Schedule of Instructional Time

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

D. Schedule of Functional Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the instructional programs and supporting services benefited. All costs have been allocated based on their type, based on management's estimates.

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

EL CAMINO REAL ALLIANCE

OTHER INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED
JUNE 30, 2015

Operating:
EL CAMINO REAL CHARTER HIGH SCHOOL

Feddersen & Company, LLP

Certified Public Accountants

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

Members of the Governing Board
El Camino Real Alliance
Woodland Hills, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of El Camino Real Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2015-01 and 2015-02

Compliance and Other Matters

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

El Camino Real Alliance's Response to Findings

El Camino Real Alliance's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. El Camino Real Alliance's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Jedrusen & Company, LLP

Agoura Hills, California
November 13, 2015

Feddersen & Company, LLP

Certified Public Accountants

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

Members of the Governing Board
El Camino Real Alliance
Woodland Hills, California

Report on Compliance for Each Major Federal Program

We have audited El Camino Real Alliance's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of El Camino Real Alliance's major federal programs for the year ended June 30, 2015. El Camino Real Alliance's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of El Camino Real Alliance's compliance.

Opinion on Each Major Federal Program

In our opinion, El Camino Real Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of El Camino Real Alliance is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered El Camino Real Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of El Camino Real Alliance'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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Jeddersen & Company, LLP

Agoura Hills, California
November 13, 2015

Feddersen & Company, LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Members of the Governing Board
El Camino Real Alliance
Woodland Hills, California

We have audited El Camino Real Alliance's (the School) compliance with the types of compliance requirements described in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2015. The School's state compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for the compliance with the requirements of state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of the School's compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Not applicable
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Independent Study	Not applicable
Continuation Education	Not applicable
Instructional Time	Not applicable
Instructional Materials	Not applicable
Ratio of Administrative Employees to Teachers	Not applicable

<u>Description</u>	<u>Procedures Performed</u>
Classroom Teacher Salaries	Not applicable
Early Retirement Incentive	Not applicable
Gann Limit Calculation	Not applicable
School Accountability Report Card	Not applicable
Juvenile Court Schools	Not applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Not applicable
Transportation Maintenance of Effort	Not applicable
Regional Occupational Centers or Programs Maintenance of Effort	Not applicable
Adult Education Maintenance of Effort	Not applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	No, see below

The term “Not applicable” is used above to mean that the program does not apply to charter schools.

We did not perform any procedures related to the California Clean Energy Jobs Act because the School does not have expenditures for this program.

We did not perform any procedures related to the After School Education and Safety Program because the School does not receive state funding for this program.

We did not perform any procedures related to Determination of Funding for Nonclassroom-Based Instruction because the School did not generate more than 20.0 percent of their average daily attendance through nonclassroom-based instruction.

We did not perform any procedures related to Charter School Facility Grant Program because the School does not receive state funding for this program.

Opinion

In our opinion, El Camino Real Alliance complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Jeddersen; Company, LLP

Agoura Hills, California
November 13, 2015

EL CAMINO REAL ALLIANCE

FINDINGS AND RECOMMENDATIONS SECTION

FOR THE YEAR ENDED

JUNE 30, 2015

Operating:

EL CAMINO REAL CHARTER HIGH SCHOOL

EL CAMINO REAL ALLIANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes X No
Significant deficiencies identified? X Yes None reported
Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes X No
Significant deficiencies identified? Yes X None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.027	Special Education – Grants to States (IDEA, Part B)

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

Auditee qualified as low-risk auditee? X Yes No

State Awards

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

Internal control over state programs:
Material weakness(es) identified? Yes X No
Significant deficiencies identified? Yes X None reported

EL CAMINO REAL ALLIANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. All audit findings must be identified as one or more of the following categories:

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

2015-01: 30000: CREDIT CARD CHARGES

Criteria

The School should have written formal internal control policies in place that are designed to provide a standard process that is followed and monitored on a regular and systematic basis to ensure that all expenditures made are School related, appropriate and properly documented.

Condition

Although the School has policies and procedures for credit card charges that are charged on a school issued card, and requires the completion, dating and initialing of each "Credit Card Payment Recap" form, sometimes the detail and documentation is not as copious as necessary.

Questioned Costs

None. The charges reviewed in our sample were appropriate.

Effect

The School could potentially incur unallowable or unauthorized expenses.

Cause

Although the School's management is fully aware of the policies in place it appears as though sometimes they are not being adhered to by certain employees.

EL CAMINO REAL ALLIANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

2015-01: 30000: CREDIT CARD CHARGES (CONTINUED)

Recommendation

The School's management needs to better monitor the usage of each credit card and should modify the written policy to ensure that the "Who, What, Where, Why and When" details are included for each credit card charge and ensure that all detailed receipts be attached to the recapitulation form for substantiation.

School Response

The School is in the process of designing a more in depth credit card usage policy that will require detailed information and substantiation for each charge made. The School will also require each employee that is issued a card to "Sign Off" on an acknowledgement that he or she is aware of and understands the responsibilities and duties in connection with the use of a School credit card and will adhere to each and every component of the policies and procedures.

2015-02: 30000: EXPENSE REIMBURSEMENTS

Criteria

The School should have written formal internal control policies in place that are designed to provide a standard process that is followed and monitored on a regular and systematic basis to ensure that all expenditures made are reimbursable, appropriate and properly documented.

Condition

Although the School has policies and procedures for the reimbursement of School related expenses paid by employees, the detail is sometimes insufficient or incomplete to determine the exact nature of the expense and the relativity or purpose.

Questioned Costs

None. The expenses reviewed in our sample were appropriate.

Effect

The School could potentially incur unallowable or unauthorized expenses.

Cause

Although the School's management is fully aware of the policies in place, it appears as though sometimes they are not being adhered to by certain employees.

Recommendation

The School's management needs to better monitor the reimbursement of expenses and should modify the written policy to ensure that the "Who, What, Where, Why and When" details are included for each credit card charge and ensure that all detailed receipts be attached to the recapitulation form for substantiation.

School Response

The School is in the process of designing a more in depth policy that will require detailed information and substantiation for each expense made. The School will also require each employee that requests reimbursement of expenses to "Sign Off" on an acknowledgement that he or she is aware of the policies and procedures and will adhere to every component of the policy.

EL CAMINO REAL ALLIANCE

SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2015

<u>Finding</u>	<u>Code</u>	<u>Recommendation</u>	<u>Current Status</u>
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There were no findings and questioned costs for the year ended June 30, 2014.