



# Academy of Arts & Sciences

## Academy of Arts and Sciences

### Finance Committee Meeting

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#### **Date and Time**

Tuesday November 15, 2016 at 2:00 PM

#### **Location**

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AAS Central Office: 850 Hampshire Road, Suite P, Thousand Oaks, CA 91361  
3305 Buckman Springs Road, Pine Valley, CA 91962  
3625 Thousand Oaks Blvd., Suite 245 Westlake Village, CA 91362

Please join my meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/188967613>

You can also dial in using your phone: (312) 757-3121 Access Code: 188-967-613

Addressing the Committee – Committee meetings are meetings of the Board of Directors and will be held in a civil, orderly and respectful manner. All public comments or questions should be addressed to the Committee through the Chair of the Committee. To ensure an orderly meeting and an equal opportunity for each speaker, persons wishing to address the Committee must send a Speaker Request Message through the form of a text message or chat box message to Miguel Aguilar, Executive Assistant to the CEO (805-807-8199). Messages must contain speaker name, contact number or email, and subject matter and sent prior to the beginning of the Public Comment section of the meeting. Members of the public may address the Committee on any matter within the Committee’s jurisdiction and have **three (3) minutes each** to do so. The total time of each subject will be fifteen (15) minutes, unless additional time is requested by a Committee Member and approved by the Committee.

The Committee may not deliberate or take action on items that are not on the agenda. However, the Committee may give direction to staff following a presentation. The Chair is in charge of the meeting and will maintain order, set the time limits for the speakers and the subject matter, and will have the prerogative to remove any person who is disruptive of the Committee meeting. The Finance Committee may place limitations on the total time to be devoted to each topic if it finds that the numbers of speakers would impede the Committee’s ability to conduct its business in a timely manner. The Finance Committee may also allow for additional public comment and questions after reports and presentations if it deems necessary.

For questions or requests regarding accessibility, please call Miguel Aguilar at (805) 807-8199.

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## Agenda

	Purpose	Presenter	Duration
<b>I. Opening Items</b>			
A. Record Attendance and Guests		Miguel Aguilar	1
B. Call the Meeting to Order		Kathy Granger	1
<b>II. CONSENT ITEMS</b>			
A. Approval of November 15, 2016 Regular Meeting Agenda	Vote	Kathy Granger	1
B. Approval of the October 18, 2016 Regular Meeting Minutes	Approve Minutes	Kathy Granger	1
<b>III. PUBLIC COMMENT</b>			
A. Public Comment	FYI	Kathy Granger	5
<b>IV. REPORTS</b>			
A. Staff Report	FYI	J.J. Lewis	5
<b>V. UNFINISHED BUSINESS</b>			
<b>VI. NEW BUSINESS</b>			
A. Review and Discussion of the October Financials	Discuss	J.J. Lewis	5
B. Review and Approval of Revised Board Finance Policy	Vote	J.J. Lewis	5
C. Review and Approval of College Readiness Block Grant Proposal	Vote	J.J. Lewis	10
D. Review and Approval of the 2015-16 Audit	Vote	J.J. Lewis	15
<b>VII. Closing Items</b>			
A. Adjourn Meeting	FYI	Kathy Granger	
<b>Next Meeting:</b>			
Tuesday, December 20 at 2 pm			

## Agenda Cover Sheets

**Section:** **IV. REPORTS**  
**Item:** A. Staff Report  
**Purpose:** FYI  
**Goal:**  
**Submitted by:** J.J. Lewis  
**Related Material:** Staff Report - November.docx

**Section:** **VI. NEW BUSINESS**  
**Item:** A. Review and Discussion of the October Financials  
**Purpose:** Discuss  
**Goal:**  
**Submitted by:** Tien Cotter  
**Related Material:** AAS - BS - Oct 16.pdf  
AAS - Cash Flow - 11-10-16.pdf  
AAS - PL - Oct 16.pdf

**Section:** **VI. NEW BUSINESS**  
**Item:** B. Review and Approval of Revised Board Finance Policy  
**Purpose:** Vote  
**Goal:**  
**Submitted by:** Lisa Fishman  
**Related Material:** AAS Fiscal Policies and Procedures Handbook.docx

RECOMMENDATION:  
A motion to approve the revised Board Finance Policy.

**Section:** **VI. NEW BUSINESS**  
**Item:** C. Review and Approval of College Readiness Block Grant Proposal  
**Purpose:** Vote  
**Goal:**  
**Submitted by:** Debra Stephan  
**Related Material:** College Readiness Block Grant Proposal Final.docx

RECOMMENDATION:  
A motion to approve the College Readiness Block Grant Proposal.

**Section:** **VI. NEW BUSINESS**  
**Item:** D. Review and Approval of the 2015-16 Audit  
**Purpose:** Vote  
**Goal:**

**Submitted by:** Marcy Fimbres  
**Related Material:** Academy of Arts and Sciences DRAFT 11.8.16.pdf

RECOMMENDATION:  
A motion to approve the 2015-16 Audit.



# Academy of Arts & Sciences

## Academy of Arts and Sciences

### Minutes

#### Finance Committee Meeting

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**Date and Time**

Tuesday October 18, 2016 at 2:00 PM

**Location**

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Board of Directors Finance Committee Regular Meeting Notice

Tuesday, October 18, 2016

2:00 PM PST

Go to Meeting

<https://global.gotomeeting.com/join/188967613>

Locations:

AAS Central Office: 850 Hampshire Road, Suite P, Thousand Oaks, CA 91361

3305 Buckman Springs Road, Pine Valley, CA 91962

3625 Thousand Oaks Blvd., Suite 245 Westlake Village, CA 91362

**Finance Committee Meeting**

Tuesday, October 18, 2016 2:00 PM - 3:00 PM Pacific Daylight Time

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United States: (312) 757-3121

Access Code: 188-967-613

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**three (3) minutes each** do so. The total time of each subject will be fifteen (15) minutes, unless additional time is requested by a Committee Member and approved by the Committee.

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### **Board Members Present**

J. Cummings (remote), K. Granger (remote), L. Fishman

### **Board Members Absent**

### **Non Voting Members Present**

J. Lewis

### **Guests Present**

M. Aguilar, Scott Warner

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## **I. Opening Items**

### **A. Record Attendance and Guests**

### **B. Call the Meeting to Order**

K. Granger called a meeting of the Finance committee of Academy of Arts and Sciences to order on Tuesday Oct 18, 2016 @ 2:03 PM.

## **II. CONSENT ITEMS**

### **A. Approval of October 18, 2016 Regular Meeting Agenda**

L. Fishman made a motion to approve consent items.

J. Cummings seconded the motion.

The committee **VOTED** unanimously to approve the motion.

#### **Roll Call**

J. Cummings Aye

K. Granger Aye

L. Fishman Aye

### **B. Approval of the September 13, 2016 Regular Meeting Minutes**

L. Fishman made a motion to approve minutes from the Finance Committee Meeting on 09-13-16.

J. Cummings seconded the motion.

The committee **VOTED** unanimously to approve the motion.

#### **Roll Call**

K. Granger Aye  
J. Cummings Aye  
L. Fishman Aye

### **III. PUBLIC COMMENT**

#### **A. Public Comment**

No public comment.

### **IV. REPORTS**

#### **A. Staff Report**

Lewis mentioned that Christy White Associates were on-site on Wednesday and Thursday, September 28th and 29th to complete their audit review for the 2015-16 year. The audit is due to the state by December 15th; our goal is to submit by the November Finance Committee meeting. Seeking guidance from California Department of Education on the SB740 Funding Determination process, using 2015-16 data. Hope to be on the February 2017 Advisory Commission on Charter Schools agenda; final action by State Board of Education at their March 2017 meeting. Amended lease for our San Diego Learning Center, changing our lease terms.

Granger asked which half of the building was being leased. Lewis confirmed it was the space closest to the trolley station.

### **V. NEW BUSINESS**

#### **A. Review and Discussion of August Financials**

Discussion led by Scott Warner, School Business Manager with CSMC.

#### **B. Review and Discussion of September Financials**

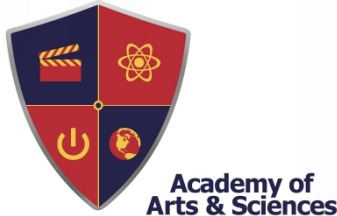
Discussion led by Scott Warner, School Business Manager with CSMC.

### **VI. Closing Items**

#### **A. Adjourn Meeting**

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 2:37 PM.

Respectfully Submitted,  
M. Aguilar



## Staff Report November 15, 2016

This report is meant to provide updates to the Board of Directors Finance Committee:

### 2015-16 Audit

Christy White Associates have prepared our 2015-16 audit. A formal presentation and review is under New Business.

### Chase Bank (checking account)

The primary account for AAS is a checking account at Chase Bank. Balances are as of the end of the reported month:

- October: \$10,821,970.91

### College Readiness Block Grant

We are eligible for state funding from the College Readiness Block Grant. Grants funds will be \$75,000 per charter, for a total of \$375,000. A formal presentation of our spending plan is under New Business. This plan will need to be presented to the full Board of Directors at their November meeting, with final approval at the January meeting.

### Finance Policy

We have reviewed and revised the Finance Policy, to strengthen accountability and safeguards for staff and AAS. A formal presentation of the revised policy is under New Business.

### First Interim Report

AAS is working on our First Interim Reports with assistance from CSMC. These are due by December 15, 2016.

### JP Morgan Chase (CD account)

AAS has a laddered CD account through JP Morgan Chase. Balances are as of the end of the reported month:

- October: \$5,031,630.00

If there are any questions on this report, please feel free to contact:

**Lisa Fishman** | Director of  
Operations  
(818) 732-4692 - direct

[lisa.fishman@aascalifornia.org](mailto:lisa.fishman@aascalifornia.org)

**J.J. Lewis** | President & CEO



(818) 824-6233 - direct  
[jj.lewis@aascalifornia.org](mailto:jj.lewis@aascalifornia.org)

## Academy of Arts and Science Consolidated

October 2016

Group Description	Account	Account Description	
<b>Liquidity Ratio</b>			2.6
<b>Assets</b>			
<b>Current Assets</b>			
Cash	9120-010	Cash in Bank(s)	\$10,680,345
Cash	9125-010	Cash in County Treasury Account	\$190,600
Cash	9125-020	Cash in County Treasury Account	\$393,594
Cash	9125-030	Cash in County Treasury Account	\$10,490
Cash	9125-050	Cash in County Treasury Account	\$2,895,003
Investments	9150-010	Investments	\$5,000,000
Accounts Receivables	9290-010	Due from Grantor Governments	\$26,519
Accounts Receivables	9290-020	Due from Grantor Governments	\$1,849
Accounts Receivables	9290-030	Due from Grantor Governments	\$64,707
Accounts Receivables	9290-040	Due from Grantor Governments	\$0
Accounts Receivables	9290-050	Due from Grantor Governments	\$176,769
Accounts Receivables	9290-060	Due from Grantor Governments	\$195,587
Prepaid Expenses	9330-010	Prepaid Expenses	\$99,717
<b>Total Current Assets</b>			<b>\$19,735,181</b>
<b>Fixed Assets</b>			
<b>Total Fixed Assets</b>			-
<b>Other Assets</b>			
<b>Total Other Assets</b>			-
<b>Total Assets</b>			<b>\$19,735,181</b>
<b>Liabilities And Net Assets</b>			
<b>Current Liabilities</b>			
Accounts Payable	9500-010	Accounts Payable-System	\$26,238
Accounts Payable	9505-010	Accounts Payable-Accrual	\$0
Accounts Payable	9590-010	Due to Grantor Governments	\$4,845,323
Accounts Payable	9590-020	Due to Grantor Governments	\$129,363
Accounts Payable	9590-040	Due to Grantor Governments	\$1,214,053

Accrued Salaries, Payroll Taxes, Postemployment Benefits	9501-010	Accrued Salaries	\$214,717
Deposits held on behalf of other employees	9660-010	Voluntary Deductions	\$7,869
Deferred Revenue	9650-010	Deferred Revenue	\$543,768
Deferred Revenue	9650-020	Deferred Revenue	\$124,997
Deferred Revenue	9650-030	Deferred Revenue	\$93,800
Deferred Revenue	9650-040	Deferred Revenue	\$205,328
Deferred Revenue	9650-050	Deferred Revenue	\$38,876
Deferred Revenue	9650-060	Deferred Revenue	\$284,492
<b>Total Current Liabilities</b>			<b>\$7,728,823</b>
<b>Long Term Liabilities</b>			
Loans Payable	9620-010	Security Deposit Payable - ILead	\$20,000
<b>Total Long Term Liabilities</b>			<b>\$20,000</b>
<b>Total Liabilities</b>			<b>\$7,748,823</b>
<b>Net Assets</b>			
Unrestricted Net Assets	9790-010	Undesignated Fund Balance	\$8,919,717
Unrestricted Net Assets	9790-020	Undesignated Fund Balance	\$1,485,436
Unrestricted Net Assets	9790-030	Undesignated Fund Balance	\$399,234
Unrestricted Net Assets	9790-040	Undesignated Fund Balance	\$2,014,644
Unrestricted Net Assets	9790-050	Undesignated Fund Balance	\$97,706
Unrestricted Net Assets	9790-060	Undesignated Fund Balance	\$1,249,122
Profit/Loss YTD			(\$2,179,500)
<b>Total Net Assets</b>			<b>\$11,986,358</b>
<b>Total Liabilities And Net Assets</b>			<b>\$19,735,181</b>

Academy of Arts & Sciences

SACS Code	Account Description	Actual July 16	Actual Aug 16	Actual Sept 16	Actual Oct 16	Budget Nov 16	Budget Dec 16	Budget Jan 17	Budget Feb 17	Budget Mar 17	Budget Apr 17	Budget May 17	Budget June 17	Jul	Aug	Sept	Actual - YTD	Total Remain Budget	Sum	Total Budget	Difference
8011	LCHF	0	0	0	4269	0	0	0	0	0	0	0	0	0	0	0	\$42,694		\$42,694		(\$42,694.00)
8012	Charter Schools General Purpose Entitlement - EPA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8019	Prior Year Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8096	Charter Schools Funding In-Lieu of Property Taxes	211451	44874	89748													\$346,073		\$346,073		(\$346,073)
	Total Revenue Limit	\$211,451	\$44,874	\$89,748	\$42,694												\$388,767		\$388,767		(\$388,767)
8181	Special Education - Entitlement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8220	Federal Child Nutrition Programs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8290	Other Federal Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8291	Title I Federal Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8292	Title II Federal Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8295	Title V Federal Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8299	Prior Year Federal Revenue	0	46250	0	0	0	0	0	0	0	0	0	0	0	0	0	\$46,250		\$46,250		(\$46,250)
	Total Federal Revenues	0	46250	0	0	0	0	0	0	0	0	0	0	0	0	0	\$46,250		\$46,250		(\$46,250)
8520	State Nutrition	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8550	Mandate Block Grant	0	0	0	0	3836	3836	3836	3836	3836	3836	3836	7672					\$34,523	\$34,523	\$38,359	\$3,836
8560	State Lottery Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8590	Other State Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8591	SB 740	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8599	Prior Year State Income	149939	100	0	17730	0	0	0	0	0	0	0	0	0	0	0	\$167,769		\$167,769		(\$167,769)
	Total Other State Revenue	\$149,939	\$100		\$17,730	\$3,836	\$3,836	\$3,836	\$3,836	\$3,836	\$3,836	\$3,836	\$7,672				\$167,769	\$34,523	\$202,292	\$38,359	(\$163,933)
8650	Rental Income	29298	29836	29111	39111	35600	35600	35600	35600	35600	35600	35600	35600				\$127,356	\$284,800	\$412,156	\$356,000	(\$56,156)
8660	Interest Income	0	227	734	7031	0	0	0	0	0	0	0	0	0	0	0	\$7,992		\$7,992		(\$7,992)
8699	All Other Local Revenue	182218	-180792	17267	1410	0	0	0	0	0	0	0	0	0	0	0	\$20,103		\$20,103		(\$20,103)
8792	SPED State/Other Transfers of Apportionments from County	0	0	0	0	71977	71977	71977	71977	71977	71977	71977	71977					\$575,817	\$575,817		(\$575,817)
8980	Student Lunch Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8982	Foundation Grants/Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8984	Student Body (ASB) Fundraising Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
8985	School Site Fundraising	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
	Total Local Revenue	211516	-150729	47112	47552	107577	107577	107577	107577	107577	107577	107577	107577	0	0	0	\$155,451	\$860,617	\$1,016,068	\$356,000	(\$660,068)
	Total Revenues	\$729,064	\$59,055	\$136,866	\$107,978	\$1,141,413	\$1,141,413	\$1,141,413	\$1,141,413	\$1,141,413	\$1,141,413	\$1,141,413	\$1,141,413	\$1,141,413	\$1,141,413	\$1,141,413	\$758,237	\$895,140	\$1,653,377	\$394,359	(\$1,259,018)
1100	Teachers' Salaries	13233	256124	251628	239777	263227	263227	263227	263227	263227	263227	263227	263227	131614			\$760,762	\$1,974,204	\$2,734,966	\$2,632,272	(\$102,694)
1105	Teachers' Stipends	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
1120	Substitute Expense	23080	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
1200	Certificated Pupil Support	23880	28924	28924	48300	80062	80062	80062	80062	80062	80062	80062	40031				\$129,228	\$600,462	\$729,690	\$800,616	\$70,926
1300	Certificated Supervisor and Administrator Salaries	42084	27281	19438	34091	42503	42503	42503	42503	43015	43015	43015	43015				\$129,104	\$342,072	\$471,176	\$512,083	\$40,907
1900	Other Certificated	11200	8960	8960	4480												\$33,600		\$33,600		(\$33,600)
	Total Certificated Salaries	95807	321285	308946	326656	385792	385792	385792	385792	386304	386304	386304	214659				\$1,052,694	\$2,916,738	\$3,969,431	\$3,944,971	(\$24,460)
2100	Instructional Aide Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
2110	Instructional Aide Stipends	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			-		-
2200	Classified Support Salaries (Maintenance, Food)	25200	66377	66808	64822	82668	82668	82668	82668	82668	82668	82668	41334				\$223,207	\$620,010	\$843,217	\$826,680	(\$16,537)
2300	Classified Supervisor	0	19347	42272	0	41904	41904	41904	42409	42409	42409	42409	0				\$61,619	\$337,249	\$398,868	\$504,864	\$105,996
2400	Clerical, Technical, and Office Staff Salaries	19622	67214	65259	51747	26881	26881	26881	26881	29027	29027	29027	29027				\$203,842	\$230,834	\$434,676	\$345,560	(\$89,116)
2900	Other Classified	7360	14260	14260	7128												\$43,008		\$43,008		(\$43,008)
	Total Classified Salaries	94454	147851	146327	143044	153253	153253	153253	153253	154104	154104	154104	112770				\$531,676	\$1,188,093	\$1,719,769	\$1,677,104	(\$42,665)
3101	State Teachers' Retirement System, certificated positions	0	45198	39557	17747	49628	49628	49628	49628	49628	49628	49628	24813				\$102,503	\$372,208	\$474,710	\$496,277	\$21,567
3313	OASDI	6328	9596	7911	7331	10398	10398	10398	10398	10398	10398	10398	6238				\$31,166	\$79,025	\$110,191	\$103,980	(\$6,211)
3323	Medicare	2675	6589	6488	6519	8152	8152	8152	8152	8152	8152	8152	4891				\$22,271	\$61,955	\$84,226	\$81,520	(\$2,706)
3403	Health & Welfare Benefits	33801	48977	73716	-15626	45403	45403	45403	45403	45403	45403	45403	22842				\$140,868	\$345,063	\$485,931	\$454,320	(\$31,901)
3503	State Unemployment Insurance	1931	4857	3306	1148	2328	2328	2328	2328	2328	2328	2328	1397				\$17,243	\$17,693	\$23,935	\$23,280	(\$655)
3603	Worker Compensation Insurance	0	0	24898	8995	8995	8995	8995	8995	8995	8995	8995	5397				\$24,898	\$68,364	\$93,262	\$89,953	(\$3,309)
3903	Other Employment Benefits	6784	4052	923	3814	0	0	0	0	0	0	0	0				\$15,573		\$15,573		(\$15,573)
	Total Employee Benefits	51519	119269	131901	45831	124904	124904	124904	124904	124904	124904	124904	69975				\$348,521	\$944,307	\$1,292,828	\$1,249,040	(\$43,788)
	Total Personnel Expenses	241780	588405	587174	515532	663949	663949	663949	663949	665312	665312	665312	397408				\$1,932,890	\$5,049,138	\$6,982,029	\$6,871,115	(\$110,914)
4100	Approved Textbooks and Core Curricula Materials	3483	1604	10449	153241	0	0	772932	0	386466	0	0	0				\$168,777	\$1,159,398	\$1,328,175	\$3,864,660	\$2,536,485
4200	Books and Other Reference Materials	0	41	0	0	68282	68282	68282	68282	68282	68282	68282	0				\$41	\$409,693	\$409,733	\$682,821	\$273,088
4300	Materials and Supplies	3787	934	6451	2665	2872	2872	2872	2872	2872	2872	2872	0				\$13,837	\$20,104	\$33,941	\$28,720	(\$5,221)
4315	Classroom Materials and Supplies	2444	0	1686	1537	0	0	0	0	0	0	0	0				\$5,666		\$5,666		(\$5,666)
4381	Materials for Plant Maint	0	0	0	0	0	0	0	0	0	0	0	0						-		-
4400	Noncapitalized Equipment	0	0	654	9152	111	111	111	111	111	111	111	111				\$9,806	\$775	\$10,581	\$1,107	(\$9,474)
4430	Noncapitalized Student Equipment	0	0	776	13404	0	0	13404	13404	13404	13404	13404	0				\$776	\$93,831	\$94,608	\$134,044	\$39,436
4700	Food and Food Supplies	0	0	0	0	0	0	0	0	0	0	0	0						-		-
	Total Books and Supplies	9714	2579	19240	167371	84669	84669	857601	84669	471135	84669	16387					\$198,903	\$1,683,800	\$1,882,704	\$4,711,352	\$2,828,648
5200	Travel and Conferences	4531	4369	4059	5250	5000	5000	5000	5000	5000	5000	5000	0				\$18,209	\$30,000	\$48,209	\$50,000	\$1,791
5210	Training and Development	4931	66291	711	15000	15000	15000	15000	15000	15000	15000	15000	0				\$72,352	\$90,000	\$162,352	\$150,000	(\$12,352)
5300	Dues and Memberships	9437	0	4995	1000	1000	1000	1000	1000	1000	1000	1000	0				\$14,432	\$6,000	\$20,432	\$10,000	(\$10,432)
5400	Insurance	0	0	3088	3088	3088	3088	3088	3088	3088	3088	0					\$15,442	\$15,442	\$30,885	\$15,443	(\$5,443)
5500	Operation and Housekeeping Services	0	500	1589	648	648	648	648	648	648	648	648	648				\$2,089	\$5,184	\$7,273	\$7,200	(\$73)
5501	Utilities	704	712	853	999	999	999	999	999	999	999	999	999				\$3,230	\$7,995	\$11,224	\$11,104	(\$120)
5505	Student Transportation/Field Trips	0	0	0	6750	6750	6750	6750	6750	6750	6750	6750	6750					\$54,000	\$54,000	\$75,000	\$21,000
5600	Space Rental/Leases Expense	73274	115889	106912	64592	64592	64592	64592	65370	65370	6537										

5891	Charter School Capital Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
5900	Communications (Tele., Internet,	3104	784	2097	2720	3320	3320	3320	3320	3360	3360	3360	3360	3360	3360	3360	3360	3360	3360	3360	
	Total Services and Other Operating Expenses	\$174,345	\$243,974	\$43,888	\$343,736	\$172,692	\$172,692	\$172,692	\$172,692	\$173,843	\$170,755	\$149,755	\$149,755	\$-	\$-	\$-	\$805,943	\$1,334,874	\$2,140,818	\$1,981,586	(\$159,232)
	Total Capital Outlay	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7010	Special Education Encroachment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7438	Debt Service - Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total Other Outgo	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total Operational Expenses	184059	246553	63128	511107	257361	257361	1030293	257361	644978	255424	166142	149755	0	0	0	\$1,004,847	\$3,018,675	\$4,023,522	\$6,692,938	\$2,669,416
	Total Expenses	425839	834957	650302	1026639	921310	921310	1694242	921310	1310290	920735	831453	547162	0	0	0	\$2,937,737	\$8,067,813	\$11,005,550	\$13,564,053	\$2,558,503
	Net Income	147068	-894462	-513442	-918663	-809897	-809897	-1582829	-809897	-1198877	-809322	-720040	-431913	0	0	0	(\$2,179,500)	(\$7,172,673)	(\$9,352,173)	(\$13,169,694)	(\$3,817,521)

	Cash balance at previous year end	21,468,321	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
933523.66	Accounts Receivable	(262,710)	(92,280)	0	(113,103)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8235986	Accounts Payable	(341,447)	17,687	(51,052)	(112,352)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0 Prepaid Expenses	0	0	104,223	(4,506)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0 Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0 Cash Loan Draw	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0 Cash Loan Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		(78,737)	109,967	(155,275)	5,258	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

		<b>21,536,651</b>	<b>(784,495)</b>	<b>(668,717)</b>	<b>(913,406)</b>	<b>(809,897)</b>	<b>(809,897)</b>	<b>(1,582,829)</b>	<b>(809,897)</b>	<b>(1,198,877)</b>	<b>(809,322)</b>	<b>(720,040)</b>	<b>(431,913)</b>	-	-	-
		<b>21,536,651</b>	<b>20,752,156</b>	<b>20,083,439</b>	<b>19,170,033</b>	<b>18,360,136</b>	<b>17,550,239</b>	<b>15,967,410</b>	<b>15,157,513</b>	<b>13,958,636</b>	<b>13,149,314</b>	<b>12,429,274</b>	<b>11,997,360</b>	<b>11,997,360</b>	<b>11,997,360</b>	<b>11,997,360</b>

<b>BALANCES</b>																				
IR		670,814	578,534	578,534	465,431	465,431	465,431	465,431	465,431	465,431	465,431	465,431	465,431	465,431	465,431	465,431	465,431	465,431	465,431	465,431
	repaid Expenses	0	0	104,223	99,717	99,717	99,717	99,717	99,717	99,717	99,717	99,717	99,717	99,717	99,717	99,717	99,717	99,717	99,717	99,717
	Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>Assets</b>	<b>670,814</b>	<b>578,534</b>	<b>682,757</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>	<b>565,148</b>
IP		7,894,539	7,912,226	7,861,174	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823	7,748,823
	Accounts Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>Liabilities</b>	<b>7,894,539</b>	<b>7,912,226</b>	<b>7,861,174</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>	<b>7,748,823</b>
	<b>Fund Balance</b>	<b>14,312,926</b>	<b>13,418,464</b>	<b>12,905,022</b>	<b>11,986,359</b>	<b>11,176,462</b>	<b>10,366,565</b>	<b>8,783,736</b>	<b>7,973,839</b>	<b>6,774,962</b>	<b>5,965,639</b>	<b>5,245,599</b>	<b>4,813,686</b>	<b>4,813,686</b>	<b>4,813,686</b>	<b>4,813,686</b>	<b>4,813,686</b>	<b>4,813,686</b>	<b>4,813,686</b>	<b>4,813,686</b>

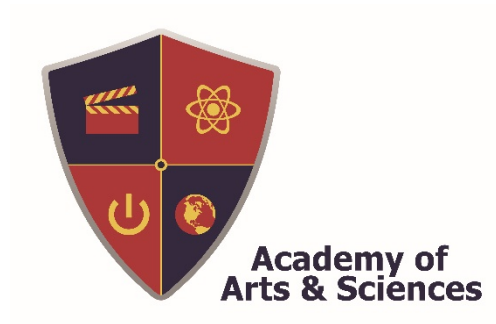
Starting Fund Balance = 14165858.7

## Academy of Arts and Science Consolidated

October 2016 - October 2016

		October		July - October Summary				2016-2017	
Account Code	Description	Actual	Budget	Actual	Budget	Variance \$	Variance %	Total Budget	Remaining Budget
8011	LCFF Revenue	\$42,694	-	\$42,694	-	\$42,694	0.0%	-	(\$42,694)
8096	Charter Schools Funding In-Lieu of Property Taxes			\$346,073	-	\$346,073	0.0%	-	(\$346,073)
<b>Revenue Limit</b>		\$42,694	-	\$388,767	-	\$388,767	0.0%	-	(\$388,767)
8299	Prior Year Federal Income			\$46,250	-	\$46,250	0.0%	-	(\$46,250)
<b>Federal Revenue</b>				\$46,250	-	\$46,250	0.0%	-	(\$46,250)
8550	Mandated Block Grant	-	\$3,836	-	\$3,836	(\$3,836)	-100.0%	\$38,359	\$38,359
8599	Prior Year State Income	\$17,730	-	\$167,769	-	\$167,769	0.0%	-	(\$167,769)
<b>Other State Revenue</b>		\$17,730	\$3,836	\$167,769	\$3,836	\$163,933	4,273.7%	\$38,359	(\$129,411)
8650	Rental Income	\$39,111	\$35,600	\$127,355	\$71,200	\$56,155	78.9%	\$356,000	\$228,645
8660	Interest Income	\$7,031	-	\$7,993	-	\$7,993	0.0%	-	(\$7,993)
8699	All Other Local Revenue	\$1,410	-	\$20,103	-	\$20,103	0.0%	-	(\$20,103)
8792	SPED State/Other Transfers of Apportionments from County	-	\$71,977	-	\$143,954	(\$143,954)	-100.0%	\$719,771	\$719,771
<b>Local Revenue</b>		\$47,552	\$107,577	\$155,451	\$215,154	(\$59,703)	-27.7%	\$1,075,771	\$920,320
<b>Total Revenue</b>		\$107,976	\$111,413	\$758,237	\$218,990	\$539,247	246.2%	\$1,114,130	\$355,892
1100	Teachers' Salaries	\$239,777	\$263,227	\$760,763	\$658,068	(\$102,695)	-15.6%	\$2,632,272	\$1,871,509
1200	Certificated Pupil Support Salaries	\$48,308	\$80,062	\$129,228	\$200,154	\$70,926	35.4%	\$800,616	\$671,388
1300	Certificated Pupil Support Salaries	\$34,091	\$42,503	\$129,103	\$170,012	\$40,908	24.1%	\$512,083	\$382,980
1900	Other Certificated Salaries	\$4,480	-	\$33,600	-	(\$33,600)	0.0%	-	(\$33,600)
<b>Certificated Salaries</b>		\$326,656	\$385,792	\$1,052,694	\$1,028,234	(\$24,460)	-2.4%	\$3,944,971	\$2,892,277
2200	Classified Support Salaries (Maintenance, Food)	\$64,822	\$82,668	\$223,207	\$206,670	(\$16,537)	-8.0%	\$826,680	\$603,473
2300	Classified Supervisor and Administrator Salaries	\$19,347	\$41,904	\$61,619	\$167,615	\$105,996	63.2%	\$504,864	\$443,245
2400	Clerical, Technical, and Office Staff Salaries	\$51,747	\$28,681	\$203,841	\$114,726	(\$89,115)	-77.7%	\$345,560	\$141,719
2900	Other Classified Salaries (Noon and Yard Sup, etc.)	\$7,128	-	\$43,008	-	(\$43,008)	0.0%	-	(\$43,008)
<b>Classified Salaries</b>		\$143,044	\$153,253	\$531,675	\$489,011	(\$42,664)	-8.7%	\$1,677,104	\$1,145,429
3101	State Teachers' Retirement System, certificated positions	\$17,747	\$49,628	\$102,503	\$124,069	\$21,567	17.4%	\$496,277	\$393,775
3313	OASDI	\$7,331	\$10,398	\$31,166	\$24,955	(\$6,211)	-24.9%	\$103,980	\$72,814
3323	Medicare	\$6,519	\$8,152	\$22,271	\$19,565	(\$2,706)	-13.8%	\$81,520	\$59,249
3403	Health & Welfare Benefits	(\$15,626)	\$45,403	\$140,868	\$108,967	(\$31,901)	-29.3%	\$454,030	\$313,162
3503	State Unemployment Insurance	\$1,148	\$2,328	\$11,243	\$5,587	(\$5,656)	-101.2%	\$23,280	\$12,037
3603	Worker Compensation Insurance	\$24,898	\$8,995	\$24,898	\$21,589	(\$3,309)	-15.3%	\$89,953	\$65,055
3703	Other Post Employment Benefits			\$950	-	(\$950)	0.0%	-	(\$950)
3903	Other Employee Benefits	\$3,814	-	\$14,624	-	(\$14,624)	0.0%	-	(\$14,624)
<b>Employee Benefits</b>		\$45,831	\$124,904	\$348,523	\$304,733	(\$43,790)	-14.4%	\$1,249,041	\$900,519
<b>Total Personnel Expenses</b>		\$515,532	\$663,949	\$1,932,891	\$1,821,977	(\$110,914)	-6.1%	\$6,871,116	\$4,938,225
4100	Approved Textbooks and Core Curricula Materials	\$153,241	\$386,466	\$168,777	\$2,705,262	\$2,536,485	93.8%	\$3,864,660	\$3,695,883

4200	Books and Other Reference Materials	-	\$68,282	\$41	\$273,128	\$273,088	100.0%	\$682,821	\$682,781
4300	Materials and Supplies	\$2,665	\$2,872	\$13,837	\$8,616	(\$5,221)	-60.6%	\$28,720	\$14,882
4315	Classroom Materials and Supplies	\$1,537	-	\$5,666	-	(\$5,666)	0.0%	-	(\$5,666)
4400	Noncapitalized Equipment	\$9,152	\$111	\$9,806	\$332	(\$9,474)	-2,852.8%	\$1,107	(\$8,699)
4430	Noncapitalized Student Equipment	\$776	\$13,404	\$776	\$40,213	\$39,437	98.1%	\$134,044	\$133,268
<b>Books and Supplies</b>		\$167,371	\$471,135	\$198,903	\$3,027,552	\$2,828,649	93.4%	\$4,711,352	\$4,512,450
5200	Travel and Conferences	\$5,250	\$5,000	\$18,210	\$20,000	\$1,790	9.0%	\$50,000	\$31,790
5210	Training and Development Expense	\$711	\$15,000	\$72,352	\$60,000	(\$12,352)	-20.6%	\$150,000	\$77,648
5300	Dues and Memberships	\$4,995	\$1,000	\$14,432	\$4,000	(\$10,432)	-260.8%	\$10,000	(\$4,432)
5400	Insurance	-	\$3,088	-	\$15,442	\$15,442	100.0%	\$30,885	\$30,885
5500	Operation and Housekeeping Services	\$1,589	\$648	\$2,089	\$2,016	(\$73)	-3.6%	\$7,200	\$5,111
5501	Utilities	\$960	\$999	\$3,229	\$3,109	(\$120)	-3.9%	\$11,104	\$7,874
5505	Student Transportation/Field Trips	-	\$6,750	-	\$21,000	\$21,000	100.0%	\$75,000	\$75,000
5600	Space Rental/Leases Expense	\$106,912	\$64,592	\$296,075	\$258,366	(\$37,709)	-14.6%	\$778,212	\$436,627
5601	Building Maintenance	\$500	\$2,160	\$900	\$6,720	\$5,820	86.6%	\$24,000	\$23,100
5602	Other Space Rental	-	\$450	-	\$1,400	\$1,400	100.0%	\$5,000	\$5,000
5605	Equipment Rental/Lease Expense	\$793	\$682	\$3,438	\$2,729	(\$709)	-26.0%	\$8,220	\$4,782
5800	Professional/Consulting Services and Operating Expenditures	\$36,302	\$26,557	\$57,872	\$106,228	\$48,357	45.5%	\$319,965	\$262,093
5803	Banking and Payroll Service Fees	\$405	\$415	\$1,416	\$1,660	\$244	14.7%	\$5,000	\$3,584
5805	Legal Services	\$37,387	\$12,420	\$41,125	\$38,640	(\$2,485)	-6.4%	\$138,000	\$96,875
5806	Audit Services	\$14,400	-	\$32,615	-	(\$32,615)	0.0%	-	(\$32,615)
5809	Employee Tuition Reimbursement	-	-	\$4,581	-	(\$4,581)	0.0%	-	(\$4,581)
5810	Educational Consultants	\$160	\$20,610	\$3,175	\$64,120	\$60,945	95.0%	\$229,000	\$225,825
5811	Student Transportation	\$3,245	-	\$14,570	-	(\$14,570)	0.0%	-	(\$14,570)
5815	Advertising/Recruiting	\$8,613	\$9,000	\$12,027	\$28,000	\$15,973	57.0%	\$100,000	\$87,973
5873	Financial Services	\$29,733	-	\$110,600	-	(\$110,600)	0.0%	-	(\$132,000)
5874	Personnel Services	\$96	-	\$736	-	(\$736)	0.0%	-	(\$736)
5877	IT Services	\$3,965	-	\$16,544	-	(\$16,544)	0.0%	-	(\$16,544)
5890	Interest Expense/Fees	-	-	\$1,018	-	(\$1,018)	0.0%	-	(\$1,018)
5899	CMO Management Fee Expense	-	-	-	-	-	0.0%	-	-
5900	Communications (Tele., Internet, Copies, Postage, Messenger)	\$2,720	\$3,320	\$8,704	\$13,280	\$4,576	34.5%	\$40,000	\$31,296
<b>Services &amp; Other Operating Expenses</b>		\$258,736	\$172,692	\$715,709	\$646,711	(\$68,998)	-10.7%	\$1,981,586	\$1,198,967
5875	District Oversight Fee	\$85,000	-	\$90,235	-	(\$90,235)	0.0%	-	(\$90,235)
<b>Other Outgo</b>		\$85,000	-	\$90,235	-	(\$90,235)	0.0%	-	(\$90,235)
<b>Total Operational Expenses</b>		\$511,107	\$643,827	\$1,004,847	\$3,674,263	\$2,669,417	72.7%	\$6,692,938	\$5,621,182
<b>Total Expenses</b>		\$1,026,639	\$1,307,776	\$2,937,738	\$5,496,240	\$2,558,502	46.6%	\$13,564,054	\$10,559,407
<b>Net Income</b>		(\$918,663)	(\$1,196,363)	(\$2,179,500)	(\$5,277,250)	\$3,097,750	58.7%	(\$12,449,924)	(\$10,203,514)



# Fiscal Policies and Procedures Handbook



## FISCAL CONTROL POLICIES AND PROCEDURES

### OVERVIEW

The Board of Academy of Arts and Sciences (AAS) has reviewed and adopted the following policies and procedures to ensure the most effective use of the funds of the AAS to support the mission and to ensure that the funds are budgeted, accounted for, expended, and maintained appropriately. AAS will develop and monitor its budget in accord with the annual budget development and monitoring calendar as specified below:

#### **January - February**

- The Board will work with the President & CEO to review the Governor's proposed state budget for the upcoming fiscal year, and identify the likely range of revenues for the school's upcoming fiscal year (July 1-June 30).
- The President & CEO reviews/prepares a set of proposed budget development principles for board review and approval.
- Develop rough planning budget for upcoming fiscal year, including projected enrollment and any proposed staffing changes.
- Develop five-year budget projection in accord with the schools established strategic and growth plans.
- Ongoing monitoring and revision of current year budget.

#### **March - April**

- The President & CEO, working in conjunction with staff, Board members, and the Director of Operations, prepares a formal budget plan for the upcoming fiscal year. The plan is reviewed by the Board.
- Ongoing monitoring and revision of current year budget. May - June
- Director reviews revenue projections subsequent to the Governor's annual "May Revise" budget figures, fine-tunes the upcoming fiscal year budget to accommodate any changes. This budget will include monthly cash flow projections.
- The Board reviews and formally adopts a budget for upcoming fiscal year before June 30. A copy of the final budget is provided to the charter-granting agency.
- Ongoing monitoring and revision of current year budget.

#### **July - August**

- Books for prior fiscal year are closed, all transactions are posted, and records assembled for audit.
- Budget is reviewed subsequent to the adoption of the state Budget Act and necessary adjustments are made. A copy of the revised final budget is provided to the charter granting agency.

- Independent auditor performs audit of the just-closed fiscal year and prepares audit report for submission to the Board.

### **September - December**

- At the end of the first full week of school, the President & CEO reviews AAS's actual attendance figures and notifies the Board if actual attendance is below budget projections. If needed, the school's budget is again revised to match likely revenues.
- The Board reviews a copy of the audit. The President & CEO and Finance Committee address any audit exceptions or adverse findings. Audit report and any follow-up plans are submitted to the charter authorizer.
- The President & CEO reviews current year actual versus budgeted revenues and expenditures after the second and fifth months of the school year and reports to the Finance Committee. The Board approves any needed changes to the annual budget.

**Controls, Budget, and Fiscal Management:** AAS will maintain in effect the following principles in its ongoing fiscal management practices to ensure that, (1) expenditures are authorized by and in accord with amounts specified in the board-adopted budget, (2) the school's funds are managed and held in a manner that provides a high degree of protection of the school's assets, and (3) all transactions are recorded and documented in an appropriate manner.

**Segregation of Duties:** AAS will develop and maintain simple check request and purchase order forms to document the authorization of all non-payroll expenditures. All proposed expenditures must be approved by the President & CEO, or his/her designee, who will review the proposed expenditure to determine whether it is consistent with the Board-adopted budget and sign the payment request form. All transactions will be posted in a general ledger. The transactions will be posted on the ledger by the Director of Operations or his/her assistant at the School site or as outsourced to an approved back office provider or its outside accounting firm. To ensure segregation of recording and authorization, the Administrative Assistant in finance may not co-sign check requests for purchase orders or checks for payment.

**Banking Arrangements:** AAS will maintain its accounts either in the County Treasury or at a federally insured commercial bank or credit union. Funds will be deposited in non-speculative accounts including federally-insured savings or checking accounts or invested in non-speculative federally-backed instruments or in the County's Pooled Money Investment Fund. If funds are held in accounts outside of the County Treasury, the Board must appoint and approve all individuals authorized to sign checks or warrants in accord with these policies. All checks must have the additional signature of the President & CEO. An approved vendor will reconcile the school's ledger(s) with its bank accounts or accounts in the county treasury on a

monthly basis and prepare (1) a balance sheet, (2) a comparison of budgeted to actual revenues and expenditures to date, and (3) a cash flow statement. The President & CEO and the Board will regularly review these statements. The School will deposit all funds received as soon as practical upon receipt. All funds received shall be deposited or transferred into the school's accounts at the earliest possible convenience and in no event later than 48 hours after receipt.

**Purchasing Procedures:** All purchases over \$50,000 must include documentation of a good faith effort to secure the lowest possible cost for comparable goods or services. The President & CEO or his/her designee shall not approve purchase orders or check requests lacking such documentation. Documentation shall be attached to all check and purchase order requests showing that at least three (3) vendors were contacted and such documentation shall be maintained for three (3) years.

- The President & CEO may authorize expenditures and may sign related contracts within the approved budget. The Governing Board must review all expenditures. This will be done via approval of a check register which lists all checks written during a set period of time and includes check #, payee, date, and amount. The Governing Board must also approve contracts over \$100,000.
- The Director of Operations must approve all purchases. Purchase requisitions, authorizing the purchase of items greater than \$5,000, must be signed by the President & CEO and submitted with the related invoice.
- When approving purchases, the Director of Operations must:
  - o Determine if the expenditure is budgeted
  - o Determine if funds are currently available for expenditures (i.e. cash flow)
  - o Determine if the expenditure is allowable under the appropriate revenue source
  - o Determine if the expenditure is appropriate and consistent with the vision, approved charter, school policies and procedures, and any related laws or applicable regulations
  - o Determine if the price is competitive and prudent. All purchases over \$25,000 must include documentation of a good faith effort to secure the lowest possible cost for comparable goods or services
- Any individual making an authorized purchase on behalf of the school must provide appropriate documentation of the purchase.
- Individuals other than those specified above are not authorized to make purchases without pre-approval.
- Individuals who use personal funds to make unauthorized purchases will not be reimbursed. Authorized purchases will be promptly reimbursed by a payroll reimbursement upon receipt of appropriate documentation of the purchase.
- The President & CEO may authorize an individual to use a school credit card to make an authorized purchase on behalf of the school, consistent with guidelines provided by the President & CEO and/or Board.

- o Individuals who receive a school credit card must ensure the card is kept in a safe location.
- o If receipts are not available or are “missing”, the individual making the charge will be held personally responsible for payment through payroll deduction(s).
- o Credit cards will bear the names of both CHARTER SCHOOL and the individual user.
- o Debit cards are not allowed.

### **Petty Cash**

- The Director of Operations will manage the petty cash fund.
- The petty cash fund will be capped at \$1,000.
- All petty cash will be kept in a locked petty cash box in a locked drawer or file cabinet. Only the Director of Operations and President & CEO will have keys to the petty cash box and drawer or file cabinet.
- All disbursements will require a completed and signed petty cash slip. A register receipt for all purchases must be attached to the petty cash slip.
- Director of Operation will insure that the petty cash slip is properly completed and that a proper receipt is attached.
- At all times the petty cash box will contain receipts and cash totaling \$1,000. A register receipt must support the petty cash slip. The individual using the petty cash to make a purchase is responsible for submitting the receipt for the petty cash slip to the Director of Operations within 24 hours of withdrawing the petty cash.
- When expenditures total \$200, the Director of Operations will total the disbursements, complete a petty cash reimbursement form, and obtain the approval of the President & CEO. This should be done on at least a quarterly basis. The petty cash slips and supporting receipts will be attached to the reimbursement request form and forwarded to back office provider.
- Petty cash fund reimbursement checks will be made payable to the Director of Operations. The reimbursement check will be immediately cashed and the money returned to the petty cash fund.
- Any irregularities in the petty cash fund will be immediately reported in writing to the President & CEO.
- Loans will not be made from the petty cash fund.
- The President & CEO will conduct unscheduled counts of the petty cash fund.

**Record Keeping:** Transaction ledgers, canceled/duplicate checks, attendance and entitlement records, payroll records, and any other necessary fiscal documents will be maintained by school staff in a secure cloud-based server for at least three years, or as long as required by applicable law, whichever is longer.

Appropriate back-up copies of electronic and paper documentation, including financial and attendance accounting data, will be regularly prepared and stored in a secure cloud-based server separate from the school Property Inventory

The President & CEO, or his/her designee, shall establish and maintain an inventory of all non-consumable goods and equipment worth over \$2,500. This inventory shall include the original purchase price and date, a brief description, serial numbers, and other information appropriate for documenting the school's assets. This property will be inventoried on an annual basis and lists of any missing property shall be presented to the Board. All non-consumable school property lent to scholars shall be returned to the school no later than five (5) working days after end of the school year. Any excess or surplus property owned by the school may be sold or auctioned by the President & CEO, or his/her designee, provided he/she engages in due diligence to maximize the value of the sale or auction to the school. The sale or auction of property owned by the school with a fair market value in excess of \$25,000 shall be approved in advance by the Board.

**Payroll Services:** AAS will contract with a reputable, bonded, and insured payroll contractor to prepare payroll checks, tax and retirement withholdings, tax statements, and to perform other payroll support functions. The President & CEO, or his/her designee, will establish and oversee a system to prepare time and attendance reports and submit payroll check requests.

The President & CEO and Board will review payroll statements annually to ensure that (1) the salaries are consistent with staff contracts and personnel policies and (2) the proper tax, retirement, disability, and other withholdings have been deducted and forwarded to the appropriate authority. All staff expense reimbursements will be on payroll checks. Upon hiring of staff, a personnel file will be established with all appropriate payroll-related documentation including a federal I-9 form, tax withholding forms, retirement date, and an accounting of the use of sick leave.

**Negotiating Funding Entitlements:** the President & CEO shall prepare a set of negotiating principles for Board approval prior to engaging in negotiations over funding entitlements with the charter granting agency and state. President & CEO will take lead responsibility for negotiating all revenue arrangements with the charter granting agency and appropriate state education agency staff. These arrangements will be documented in appropriate and detailed Memoranda of Understanding for approval by the Board.

**Required Budget and Other Fiscal Reports:** The President & CEO, working in conjunction with the Director of Operations, will produce and submit to authorizers any and all required fiscal reports as may be required by state or federal law, or mandated by the terms of the school's charter. These include, but are not limited to, attendance reports, enrollment and other data reports required by the California Basic Education Data System, and other related data.

**Fundraising, Grant Solicitation, and Donation Recognition:** All fundraising or grant solicitation activities on behalf of the school must be approved in advance by the Board. The Board shall be informed of any conditions, restrictions, or compliance

requirements associated with the receipt of such funds, including grants or categorical programs sponsored by the state or federal government. The Board shall be notified no later than the next regular board meeting of the award or receipt of any funds and shall approve the receipt of any grants, donations, or receipts of fundraising proceeds prior to their deposit in the school's accounts.

### **Annual Financial Audit**

- The Board will annually appoint an audit committee by January 1 to select an auditor by March 1 prior to yearend (June 30th).
- Any persons with expenditure authorization or recording responsibilities within the school may not serve on the committee.
- The committee will annually contract for the services of an independent certified public accountant to perform an annual fiscal audit.
- The audit shall include, but not be limited to:
  - An audit of the accuracy of the financial statements
  - An audit of the attendance accounting and revenue accuracy practices
  - An audit of the internal control practices

### **Contracts:**

- Consideration will be made of in-house capabilities to accomplish services before contracting for them.
- Office staff will keep and maintain a contract file evidencing the competitive bids obtained (if any) and the justification of need for any contracts over \$50,000.
  - Competitive bids will be obtained where required by law or otherwise deemed appropriate and in the best interests of the school.
- Written contracts clearly defining work to be performed will be maintained for all contract service providers (i.e. consultants, independent contractors, subcontractors).
- Contract service providers must show proof of being licensed and bonded, if applicable, and of having adequate liability insurance and worker's compensation insurance currently in effect. The President & CEO may also require that contract service providers list the school as an additional insured.
- If the contract service provider is a sole proprietor or a partnership (including LP, and LLP), the Director of Operations will obtain a W-9 from the contract service provider prior to submitting any requests for payments.
- The President & CEO will approve proposed contracts and modifications in writing.
- Contract service providers will be paid in accordance with approved contracts as work is performed.
- The President & CEO and/or his designee will be responsible for ensuring the terms of the contracts are fulfilled.

- Potential conflicts of interest will be disclosed upfront, and the President & CEO and/or Member(s) of the Board with the conflict will excuse themselves from discussions and from voting on the contract.

### **Accounts Payable**

- All original invoices will immediately be forwarded to the Director of Operations for approval.
- The Finance Department will carefully review each invoice, attach all supporting documentation, and verify that the specified services and/or goods were received. When receiving tangible goods from a vendor, the person designated to receive deliveries should trace the merchandise to the packing list and note any items that were not in the shipment.
- Once approved by the Director of Operations, he/she will stamp an approval on the invoice and complete the required information, including noting the specific budget line item that is to be charged for the specified expenditures. The invoice and supporting documentation will be sent to the back office provider on at least a weekly basis. The back office provider will then process the invoices with sufficient supporting documentation.
- The Director of Operations may authorize the back office provider to pay recurring expenses (e.g. rent) with the President & CEO's formal approval (signature) on the invoice when dollar amounts fall within a predetermined range. A list of the vendors and the dollar range for each vendor must be provided to the back office provider in writing and updated on an annual basis.

### **Bank Checks**

- The Board will approve, in advance, the list of authorized signers on the school account. The President & CEO, the Director of Operations, and any other employee authorized by the Board may sign bank checks within established limitations.
- The President & CEO, with advance Board approval, is authorized to open and close bank accounts.
- The Director of Operations, the President & CEO and the back office provider will be responsible for all blank checks and will keep them under lock and key.
- When there is a need to generate a bank check, the Director of Operations will send appropriate approved documentation to the back office provider.
- Once approved by the President & CEO and the Director of Operations, the back office provider issues the check based on the check authorization prior to obtaining the appropriate signature(s).
- The President & CEO and the Director of Operations will co-sign checks all checks.

# College Readiness Block Grant

November 7, 2016  
Final Proposal

Counseling Services Department:  
Debra Stephan, Counseling Services Manager  
Edith Cruz, College & Career Counselor

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## Ed Code 41580 – College Readiness Block Grant

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**Introduction:** June 2016, the California state budget included \$200 million specifically allocated for the College Readiness Grant. The one-time funding is purposely designed to increase or improve services for unduplicated pupils to ensure college readiness. The grant was established to increase the number of scholars who enroll in institutions of higher education and complete an undergraduate degree in four years.

**Funding:** Funding deliberately intended to support serving low income scholars, English Language Learners (ELL), and foster youth in college and career planning. Funds are allocated for scholars in grades nine through twelve. All funds must be spent within the next three years. (\$149.32 per unduplicated scholar and a minimum of \$75,000). The CDE will allocate the funds in two installments. The first installment, to be paid in 2016, reflects approximately 50 percent of each LEA’s entitlement based on eligible scholars. Remaining funds will be released in spring of 2017.

**Use of Funds: Charter schools shall expend funds for any of the following reasons (EC 41580):**

Funds can be used to pay Advanced Placement examination fees; develop or purchase materials that support college readiness, including college entrance exam preparation; counseling services for scholars; expand access to coursework or other opportunities to satisfy a-g course requirements; and send teachers, counselors, and administrators to professional development opportunities related to college readiness.

**a. Providing professional development for teachers, administrators, and school counselors to increase college readiness, improve a-g rates, and increase honors and advanced placement (AP)**

**☐ Advancement Via Individual Determination (AVID)**

☐ **AVID Coaching Days** (3 blocks of 2 consecutive days) – planning and implementation support

☐ 2016/2017 (Year 1) - \$12,000

☐ **AVID Webex Training** – previewing program



<p><b>Total = \$42,160</b></p>	<p>for teaching staff</p> <p><input type="checkbox"/> 2016/2017 (Year 1) - \$500</p> <p><input type="checkbox"/> <b>AVID Leadership for College Training (LCR)</b> - face to face training for administration and other school leaders up to 40 participants</p> <p><input type="checkbox"/> 2016/2017 (Year 1) - \$8,500</p> <p><input type="checkbox"/> <b>AVID Summer Institute</b> - First year program requirement. Minimum of 8 staff members must attend (district director, administrator, counselor, core content area teachers, and AVID elective teacher)</p> <p><input type="checkbox"/> 2017/2018 (Year 2) - \$6,080</p> <p><input type="checkbox"/> 2018/2019 (Year 3) - \$6,080</p> <p><input type="checkbox"/> <b>AVID District Leadership Training</b> - 3 sessions required for the district director.</p> <p><input type="checkbox"/> 2017/2018 (Year 2) - \$9,000</p>
<p><b>b. Providing Counseling Services to scholars and their families on college admissions and financial aid</b></p> <p><b>Total = \$208,000</b></p>	<p><input type="checkbox"/> <b>College &amp; Career Counselor</b> - annual salary</p> <p><input type="checkbox"/> 2016/2017 (Year 1) - \$60,000</p> <p><input type="checkbox"/> <b>Counselor/Scholar Ratio</b> 1:250 (under ASCA Guidelines) - additional staffing needs</p> <p><input type="checkbox"/> 2016/2017 (Year 1) <b>or</b> 2017/2018 (Year 2) - \$60,000</p> <p><input type="checkbox"/> <b>AVID Coordinator</b>- annual salary</p> <p><input type="checkbox"/> 2017/2018 (Year 1) - \$ 43,000</p> <p><input type="checkbox"/> 2018/2019 (Year 2) - \$ 45,000</p>
<p><b>c. Developing or purchasing materials to support college readiness and increase performance on required college entrance assessments</b></p>	<p><input type="checkbox"/> <b>Advancement Via Individual Determination (AVID)</b></p> <p><input type="checkbox"/> High School Curriculum Library</p> <p><input type="checkbox"/> 2016/2017 (Year 1) - \$4,990</p> <p><input type="checkbox"/> AVID Membership</p> <p><input type="checkbox"/> 2017/2018 (Year 2) - \$3,799</p>

☐ 2018/2019 (Year 3) - \$3,799
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**National Student Clearinghouse Membership -**

Enables you to follow your graduates' transition to college by querying participating institutions' postsecondary enrollment and degree records.

☐ 2016/2017 (Year 1) - \$425
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☐ 2017/2018 (Year 2) - \$425
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☐ 2018/2019 (Year 3) - \$425
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☐ **College Readiness Assessment Program/Princeton Review**

- ☐ **Standardized Test Prep** (grade level 10 & 11) - 5-20 scholars per course. \$5,500 per course (10% discount with three or more)

☐ 2017/2018 (Year 2) - (3 courses) \$14,850
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☐ 2018/2019 (Year 3) - (3 courses) \$14,850
--

**Total = \$101,673**

☐ **Homework Help Online Academic**

**Tutoring/Princeton Review** -Scholars share a pool of hours; access for 12 months or until hours are all used

☐ 2017/2018 (Year 2) - (700 hours) \$29,100
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☐ 2018/2019 (Year 3) - (700 hours) \$29,100
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**d. Implementing collaborative partnerships between high schools and post-secondary educational institutions, including the California State University and University of California systems, to support scholar transition**

☐ **College Fair** - Host community event (Welcome bag & Food)

☐ 2017/2018 (Year 2) - \$ 1,000
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☐ 2018/2019 (Year 3) - \$ 1,000
---------------------------------

**Total = \$2000**

<p><b>e. Providing subsidies for scholars taking AP exams</b></p> <p><b>Total = \$5,700</b></p>	<p><b>☐ AP Exam Waivers (Application Process)</b></p> <table border="1"> <tr> <td data-bbox="911 205 1523 321">☐ 2016/2017 (Year 1) - \$100 per exam for qualified scholars (Estimate 10% of qualified scholars) - \$ 1900</td> </tr> <tr> <td data-bbox="911 321 1523 443">☐ 2017/2018 (Year 2) - \$100 per exam for unduplicated scholars. (Estimate 10% of qualified scholars) - \$1900</td> </tr> <tr> <td data-bbox="911 443 1523 558">☐ 2018/2019 (Year 3) - \$100 per exam for unduplicated scholars. (Estimate 10% of qualified scholars) - \$1900</td> </tr> </table>	☐ 2016/2017 (Year 1) - \$100 per exam for qualified scholars (Estimate 10% of qualified scholars) - \$ 1900	☐ 2017/2018 (Year 2) - \$100 per exam for unduplicated scholars. (Estimate 10% of qualified scholars) - \$1900	☐ 2018/2019 (Year 3) - \$100 per exam for unduplicated scholars. (Estimate 10% of qualified scholars) - \$1900	
☐ 2016/2017 (Year 1) - \$100 per exam for qualified scholars (Estimate 10% of qualified scholars) - \$ 1900					
☐ 2017/2018 (Year 2) - \$100 per exam for unduplicated scholars. (Estimate 10% of qualified scholars) - \$1900					
☐ 2018/2019 (Year 3) - \$100 per exam for unduplicated scholars. (Estimate 10% of qualified scholars) - \$1900					
<p><b>f. Expanding access to a-g aligned coursework</b></p> <p><b>Total = \$15,400</b></p>	<p><b>☐ AP Scouts - Advanced Placement Courses</b></p> <table border="1"> <tr> <td data-bbox="911 684 1523 837">☐ 2017/2018 (Year 2) - Up to \$299 per course on demand for qualified scholars. (Estimate 10% of qualified scholars) - \$5,700</td> </tr> <tr> <td data-bbox="911 837 1523 991">☐ 2018/2019 (Year 3) - Up to \$299 per course on demand for qualified scholars. (Estimate 10% of qualified scholars) - \$5,700</td> </tr> </table> <p><b>☐ Concurrent Enrollment - Course Materials</b></p> <table border="1"> <tr> <td data-bbox="911 1117 1523 1270">☐ 2017/2018 (Year 2) - costs will vary dependent upon concurrent enrollment numbers for unduplicated scholars. Estimated Budget - \$2000</td> </tr> <tr> <td data-bbox="911 1270 1523 1423">☐ 2018/2019 (Year 3) - costs will vary dependent upon concurrent enrollment numbers for unduplicated scholars - Estimated Budget - \$2000</td> </tr> </table>	☐ 2017/2018 (Year 2) - Up to \$299 per course on demand for qualified scholars. (Estimate 10% of qualified scholars) - \$5,700	☐ 2018/2019 (Year 3) - Up to \$299 per course on demand for qualified scholars. (Estimate 10% of qualified scholars) - \$5,700	☐ 2017/2018 (Year 2) - costs will vary dependent upon concurrent enrollment numbers for unduplicated scholars. Estimated Budget - \$2000	☐ 2018/2019 (Year 3) - costs will vary dependent upon concurrent enrollment numbers for unduplicated scholars - Estimated Budget - \$2000
☐ 2017/2018 (Year 2) - Up to \$299 per course on demand for qualified scholars. (Estimate 10% of qualified scholars) - \$5,700					
☐ 2018/2019 (Year 3) - Up to \$299 per course on demand for qualified scholars. (Estimate 10% of qualified scholars) - \$5,700					
☐ 2017/2018 (Year 2) - costs will vary dependent upon concurrent enrollment numbers for unduplicated scholars. Estimated Budget - \$2000					
☐ 2018/2019 (Year 3) - costs will vary dependent upon concurrent enrollment numbers for unduplicated scholars - Estimated Budget - \$2000					

## Total Estimated College Readiness Block Grant Funds \$374,933

### Measurement of Scholar College Readiness

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Utilize three constructs to measure college readiness data: 1) academic performance and engagement including scholar and school data on enrollment status, demographics, assessment performance, credit accumulation, GPA, SAT/ACT scores, high school credentials earned, and participation in accelerated learning programs, a-g college-ready, and AP courses, 2) postsecondary access to determine scholar completion for federal student aid and postsecondary admissions, and 3) attainment of a degree at a postsecondary institution by tracking scholar college enrollment and degree completion. This continuous collection and analysis of college readiness data will ensure our program and services play a major role in advancing college readiness and closing opportunity gaps.

### Local Control Accountability Plan (LCAP)

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- ☐ Improving student achievement with measurables, including college and career preparedness
- ☐ Ensuring all students can access college preparation courses and career exploration

### AAS High School Unduplicated Pupil Data - October 2016

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#### ***Del Mar***

- ☐ Low Socioeconomic - 38
- ☐ English Language Learners - 1
- ☐ Foster Youth - 0

#### ***Los Angeles***

- ☐ Low Socioeconomic -49
- ☐ English Language Learners - 3
- ☐ Foster Youth - 0

#### ***Thousand Oaks***

- ☐ Low Socioeconomic - 24
- ☐ English Language Learners - 1
- ☐ Foster Youth - 0

#### ***Fresno***

- ☐ Low Socioeconomic - 25

- ☐ English Language Learners - 1
- ☐ Foster Youth - 0

***Sonoma***

- ☐ Low Socioeconomic - 42
- ☐ English Language Learners - 3
- ☐ Foster Youth - 0

Total Unduplicated Scholars = 187

# **ACADEMY OF ARTS & SCIENCES**

## **AUDIT REPORT**

**FOR THE YEAR ENDED**

**JUNE 30, 2016**

**A NONPROFIT PUBLIC BENEFIT CORPORATION  
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOLS**

Academy of Arts and Sciences: Del Mar Elementary (K-5)

Academy of Arts and Sciences: Del Mar Middle & High (6-12)

Academy of Arts and Sciences: El Cajon Elementary (K-5)

Academy of Arts and Sciences: El Cajon Middle & High (6-12)

Academy of Arts and Sciences: Oxnard & Ventura

Academy of Arts and Sciences: Sonoma

Academy of Arts and Sciences: Thousand Oaks & Simi Valley

Academy of Arts and Sciences Fresno

Academy of Arts and Sciences Los Angeles 9-12

Academy of Arts and Sciences Los Angeles K-8

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## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Academy of Arts & Sciences  
Thousand Oaks, California

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

We have audited the accompanying financial statements of Academy of Arts & Sciences (the "Academy") which comprise the statement of financial position as of June 30, 2016, 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 of material misstatement.

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

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

### **Basis for Qualified Opinion**

We were not provided with information about expenses reported by their functional classification, such as major classes of program services and supporting activities, because the Academy's has not allocated costs by these functional categories. In our opinion, allocation of expenses by functional classification is required by accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described above in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Academy of Arts & Sciences as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of Academy of Arts & Sciences taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of the Academy'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 the Academy's internal control over financial reporting and compliance.

San Diego, California

November 4, 2016

ACADEMY OF ARTS & SCIENCES  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016

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**ASSETS**

Current assets	
Cash and cash equivalents	\$ 16,466,351
Investments	5,000,000
Accounts receivable	933,524
<b>Total Assets</b>	<u>\$ 22,399,875</u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable	\$ 6,944,726
Deferred revenue	62,400
<b>Total liabilities</b>	<u>7,007,126</u>
Net assets	
Unrestricted	15,188,287
Temporarily restricted	204,462
<b>Total net assets</b>	<u>15,392,749</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 22,399,875</u>

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The notes to the financial statements are an integral part of this statement.

**ACADEMY OF ARTS & SCIENCES  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
State support and revenues			
Local control funding formula, state aid	\$ 10,144,906	\$ -	\$ 10,144,906
Other state revenues	3,739,745	191,823	3,931,568
<b>Total state support and revenues</b>	<b>13,884,651</b>	<b>191,823</b>	<b>14,076,474</b>
Local support and revenues			
Payments in lieu of property taxes	2,070,967	-	2,070,967
Investment income, net	15,543	-	15,543
Other local revenues	28,288	-	28,288
<b>Total local support and revenues</b>	<b>2,114,798</b>	<b>-</b>	<b>2,114,798</b>
Donor restrictions satisfied	17,647	(17,647)	-
<b>Total Support and Revenues</b>	<b>16,017,096</b>	<b>174,176</b>	<b>16,191,272</b>
<b>Expenses</b>			
Charter school operations	14,336,276	-	14,336,276
Other operations	41,812	-	41,812
<b>Total Expenses</b>	<b>14,378,088</b>	<b>-</b>	<b>14,378,088</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,639,008</b>	<b>174,176</b>	<b>1,813,184</b>
<b>Net Assets - Beginning</b>	<b>13,549,279</b>	<b>30,286</b>	<b>13,579,565</b>
<b>Net Assets - Ending</b>	<b>\$ 15,188,287</b>	<b>\$ 204,462</b>	<b>\$ 15,392,749</b>

The notes to the financial statements are an integral part of this statement.

**ACADEMY OF ARTS & SCIENCES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 1,813,184
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
(Increase) decrease in operating assets	
Accounts receivable	6,127,856
Increase (decrease) in operating liabilities	
Accounts payable	5,509,958
Deferred revenue	62,400
<b>Net cash provided by (used in) operating activities</b>	<u>13,513,398</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Transfer to investment account	(5,000,000)
<b>Net cash provided by (used in) investing activities</b>	<u>(5,000,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on loans payable	(1,149,316)
<b>Net cash provided by (used in) financing activities</b>	<u>(1,149,316)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	7,364,082
<b>Net cash and cash equivalents - Beginning</b>	<u>9,102,269</u>
<b>Net cash and cash equivalents - Ending</b>	<u>\$ 16,466,351</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Cash paid on interest	<u>\$ 5,068</u>

The notes to the financial statements are an integral part of this statement.

**ACADEMY OF ARTS & SCIENCES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Academy of Arts & Sciences (the “Academy”), was formed as a nonprofit public benefit corporation on October 28, 2011 for the purpose of operating California public schools in. Academy of Arts & Sciences operated ten (10) public charter schools during the fiscal year ended June 30, 2016. The authorizing districts are as follows:

Charter School	Charter No.	Classes Began	Authorizing Agency	County
Academy of Arts and Sciences: Del Mar Elementary (K-5)	1452	8/27/2012	MEUSD	San Diego
Academy of Arts and Sciences: Del Mar Middle & High (6-12)	1454	8/27/2012	MEUSD	San Diego
Academy of Arts and Sciences: El Cajon Elementary (K-5)	1451	8/19/2013	MEUSD	San Diego
Academy of Arts and Sciences: El Cajon Middle & High (6-12)	1453	8/15/2012	MEUSD	San Diego
Academy of Arts and Sciences: Oxnard & Ventura	1456	8/15/2012	MESD	Ventura
Academy of Arts and Sciences: Sonoma	1457	9/28/2012	CRPUSD	Sonoma
Academy of Arts and Sciences: Thousand Oaks & Simi Valley	1455	8/15/2012	MESD	Ventura
Academy of Arts and Sciences Fresno	1631	7/1/2014	OC	Fresno
Academy of Arts and Sciences: Los Angeles (9-12)	1651	7/1/2014	AADUSD	Los Angeles
Academy of Arts and Sciences: Los Angeles (K-8)	1652	7/1/2014	AADUSD	Los Angeles

The authorizing agencies are as follows: Mountain Empire Unified School District (MEUSD), Mupu Elementary School District (MESD), Cotati-Rohnert Park Unified School District (CRPUSD), Orange Center School District (OC), and Acton-Agua Dulce Unified School District (AADUSD).

Academy of Arts & Sciences’ mission is to create future leaders passionate about making a positive contribution to their local and global communities in the arts and sciences. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

**B. Financial Statement Presentation**

Academy of Arts & Sciences is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Directors and management’s discretion in carrying out the activities of the organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support operations. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Academy’s financial statement presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

The Academy's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Academy of Arts & Sciences. Revenues are recognized by the Academy when earned.

G. Cash and Cash Equivalents

Academy of Arts & Sciences considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Investments

The Academy's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2016, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

J. Capital Assets

Academy of Arts & Sciences has not yet adopted a policy to capitalize asset purchases in conformance with generally accepted accounting principles because the Academy does not own, nor does it plan to acquire, property or equipment of significant value.

K. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

L. Income Taxes

Academy of Arts & Sciences is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Academy is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As an organization operating a school, the Academy is not required to register with the California Attorney General as a charity.

The Academy's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Academy's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.



NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2     Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3     Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2016, consist of the following:

Cash in banks, non-interest bearing	\$	13,357,320
Cash in county treasury		3,109,031
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b>16,466,351</b>

Cash in Banks – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Academy of Arts & Sciences does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2016, \$13,321,823 of Academy of Arts & Sciences’ bank balance was exposed to custodial credit risk as there were deposits over \$250,000 at Chase Bank.

Cash in County Treasury

Academy of Arts & Sciences is a voluntary participant in an external investment pool for some of its charter schools. The fair value of the Academy’s investment in the pool is reported in the financial statements at amounts based upon the Academy’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

**ACADEMY OF ARTS & SCIENCES**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – CASH AND CASH EQUIVALENTS (continued)**

**Cash in County Treasury (continued)**

Except for investments by trustees of debt proceeds, the authority to invest Academy funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**NOTE 3 – INVESTMENTS**

The Academy held \$5,000,000 in investments as of June 30, 2016. These investments are held in certificates of deposit and are the only funds classified as investments in the statement of financial position. The investment is carried at amortized cost. Certificates of deposit do not qualify as securities as defined in FASB ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2016 consists of the following:

Local control funding formula sources	\$	415,498
Other state sources		518,026
<b>Total Accounts Receivable</b>	<b>\$</b>	<b>933,524</b>

ACADEMY OF ARTS & SCIENCES  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2016 consists of the following:

Due to grantor governments	\$	6,382,879
Due to authorizing agencies		115,167
Vendor payables		446,680
<b>Total Accounts Payable</b>	<b>\$</b>	<b>6,944,726</b>

NOTE 6 – LOANS PAYABLE

**Charter School Revolving Loans**

In May 2013, all charters schools of the Academy in operation at that time, with the exception of the Academy of Arts and Sciences: Sonoma, were approved to borrow \$250,000 per school through the Charter School Revolving Loan Fund administered by the California Department of Education (CDE). Effective July 1, 2013, the administration of the fund was transferred from the CDE to the California School Finance Authority (CSFA). An additional \$250,000 was loaned through the Charter Revolving Loan Fund in July 2014 for two additional charter schools. The Charter School Revolving Loan Fund was established to provide low-interest loans to new charter schools to help meet purposes established in the schools' charter petitions.

All initial funds totaling \$1,250,000 were received by the Academy in June 2014. Each of these loans was to be repaid over a four-year period commencing August 2013 and ending January 2017. An additional \$500,000 was received in July 2014. The revolving loans bore an annualized interest rate equal to the "prime rate" of 0.26%. At the start of the fiscal year, the full amount for all outstanding loans combined was \$1,149,316. All loans were repaid during the fiscal year ending June 30, 2016 and no outstanding balances existed as of June 30, 2016.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily net assets at June 30, 2016 consisted of the following:

State imposed restrictions		
California Clean Energy Jobs Act	\$	30,286
Educator Effectiveness		174,176
<b>Total Temporarily Restricted Net Assets</b>	<b>\$</b>	<b>204,462</b>

**ACADEMY OF ARTS & SCIENCES**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charters have made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS). The Academy offers all employees social security as an alternative plan to those who may not qualify for CalSTRS.

**California State Teachers’ Retirement System (CalSTRS)**

**Plan Description**

Academy of Arts & Sciences contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. 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, 7667 Folsom Boulevard; Sacramento, California 95826.

**Funding Policy**

Active plan members are required to contribute 8.56% of their 2015-16 salary. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Academy of Arts & Sciences’ contributions to CalSTRS for the past three years are as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2015-16	\$ 359,120	100%
2014-15	\$ 581,189	100%
2013-14	\$ 75,894	100%

**On-Behalf Payments**

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Academy of Arts & Sciences charter schools in operation during 2013-14 is estimated at \$65,553 (7.126% of creditable compensation subject to CalSTRS in 2013-14).

**NOTE 9 – RELATED PARTY TRANSACTIONS**

**Authorizing Agency**

The Charters make payments to the authorizing agencies specified in Note 1A, to provide purchased services in addition to fees for oversight. In accordance with *California Education Code 47613(a)*, the authorizing agency may charge actual costs of oversight not to exceed 1% of revenue from local control funding formula sources. Total oversight fees paid or payable to the authorizing agencies amounted to \$390,022 for the fiscal year ended June 30, 2016.

**ACADEMY OF ARTS & SCIENCES**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 9 – RELATED PARTY TRANSACTIONS (continued)**

**Inter-Academy Activity**

Receivables and payables due between the Charters are classified as due to/from related entities within the Statement of Financial Position by Charter. Cash in bank balances are maintained by the Academy as a whole and are noted as due from related entities within the Statement of Position by Charter. Additionally, some charter schools covered certain operating expenses during the fiscal year ending June 30, 2016. Inter-Academy transactions and balances are eliminated in the financial statements of Academy of Arts & Sciences to better reflect the true activities of the corporation.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**Governmental Funds**

Academy of Arts & Sciences has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. The Academy has undergone certain reviews and has experienced certain expenditure disallowances under the terms of the grants, which have been recorded in the financial statements. Any future such audits could generate additional expenditure disallowances under funding terms; however, it is believed that any required reimbursements would not be material.

**Multi-employer Defined Benefit Plan Participation**

Under current law on multiemployer defined benefit plans, the Academy's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Academy to make payments to the plan, which would approximate the Academy's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Academy's share of withdrawal liability is approximately \$4,037,244 as of June 30, 2015. The Academy does not currently intend to have its operated charter schools withdraw from CalSTRS. Refer to Note 8 for additional information on employee retirement plans.

**NOTE 11 – SUBSEQUENT EVENTS**

Academy of Arts & Sciences has evaluated subsequent events for the period from June 30, 2016 through **November 5, 2016**, the date the financial statements were available to be issued.

Effective June 30, 2016, the following charter schools discontinued operations due to voluntary closures with the intent to merge operations into the remaining charter schools:

Charter School	Charter No.	County	Status
AAS: Del Mar Elementary (K-5)	1452	San Diego	Closed
AAS: El Cajon Elementary (K-5)	1451	San Diego	Closed
AAS: El Cajon Middle & High (6-12)	1453	San Diego	Closed
AAS: Oxnard & Ventura	1456	Ventura	Closed
AAS: Los Angeles (K-8)	1652	Los Angeles	Closed

**NOTE 11 – SUBSEQUENT EVENTS** (*continued*)

Nonclassroom-based funding determinations for the period of July 1, 2016 through June 30, 2021 were initially denied for not meeting certain funding determination criteria; therefore, the Academy submitted mitigating circumstance requests to the State Board of Education (SBE). In a meeting held on June 7, 2016 of the Advisory Commission on Charter Schools (ACCS), an advisory body to the SBE, recommended that the SBE deny the mitigating circumstances for the remaining operated charter schools. As a result of the denied funding determinations, the charter schools operated by the Academy are not eligible for funding based on nonclassroom-based instruction from local control funding formula sources. These state funding sources represent over sixty-percent of the Academy's total revenue; therefore, the Academy will experience planned deficit spending in the subsequent fiscal year.

Management did not identify any other transactions that require disclosure or that would have an impact on the financial statements.

DRAFT 11.8.16

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**SUPPLEMENTARY INFORMATION SECTION**

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DRAFT 11.8.16

**ACADEMY OF ARTS & SCIENCES**  
**STATEMENT OF FINANCIAL POSITION BY CHARTER**  
**JUNE 30, 2016**

California Charter No.	San Diego County				Ventura County		Sonoma County	Fresno County	Los Angeles County	
	1452	1454	1451	1453	1456	1455	1457	1631	1651	1652
	Del Mar Elementary	Del Mar Middle & High	El Cajon Elementary	El Cajon Middle & High	Oxnard & Ventura	Oaks & Simi Valley	Sonoma	Fresno	Los Angeles (9 - 12)	Los Angeles (K - 8)
Thousand										
<b>ASSETS</b>										
Current assets										
Cash and cash equivalents	\$ 30,758	\$ 177,168	\$ 7,807	\$ 11,649	\$ -	\$ -	\$ 2,700,605	\$ 181,044	\$ -	\$ -
Accounts receivable	32,432	51,000	62,420	68,425	68,559	247,322	238,263	94,146	28,847	42,110
Due from related entities	1,299,382	149,056	3,981,468	3,239,891	4,819,426	1,501,631	-	269,142	1,604,371	1,889,828
<b>Total Assets</b>	<b>\$ 1,362,572</b>	<b>\$ 377,224</b>	<b>\$ 4,051,695</b>	<b>\$ 3,319,965</b>	<b>\$ 4,887,985</b>	<b>\$ 1,748,953</b>	<b>\$ 2,938,868</b>	<b>\$ 544,332</b>	<b>\$ 1,633,218</b>	<b>\$ 1,931,938</b>
<b>LIABILITIES AND NET ASSETS</b>										
Current liabilities										
Accounts payable	\$ 129,363	\$ -	\$ 2,026,859	\$ 1,250,791	\$ 1,698,932	\$ 59,302	\$ -	\$ 51,298	\$ 879,857	\$ 465,328
Due to related entities	-	-	-	-	-	156,038	2,802,286	-	-	-
Deferred revenue	-	-	62,400	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>129,363</b>	<b>-</b>	<b>2,089,259</b>	<b>1,250,791</b>	<b>1,698,932</b>	<b>215,340</b>	<b>2,802,286</b>	<b>51,298</b>	<b>879,857</b>	<b>465,328</b>
Net assets										
Unrestricted	1,223,985	365,052	1,936,009	2,041,504	3,153,300	1,492,283	122,943	483,355	740,749	1,450,654
Temporarily restricted	9,224	12,172	26,427	27,670	35,753	41,330	13,639	9,679	12,612	15,956
<b>Total net assets</b>	<b>1,233,209</b>	<b>377,224</b>	<b>1,962,436</b>	<b>2,069,174</b>	<b>3,189,053</b>	<b>1,533,613</b>	<b>136,582</b>	<b>493,034</b>	<b>753,361</b>	<b>1,466,610</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,362,572</b>	<b>\$ 377,224</b>	<b>\$ 4,051,695</b>	<b>\$ 3,319,965</b>	<b>\$ 4,887,985</b>	<b>\$ 1,748,953</b>	<b>\$ 2,938,868</b>	<b>\$ 544,332</b>	<b>\$ 1,633,218</b>	<b>\$ 1,931,938</b>

See accompanying note to the supplementary information.



**ACADEMY OF ARTS & SCIENCES  
STATEMENT OF ACTIVITIES BY CHARTER  
FOR THE YEAR ENDED JUNE 30, 2016**

California Charter No.	San Diego County			
	1452	1454	1451	1453
	Del Mar Elementary	Del Mar Middle & High	El Cajon Elementary	El Cajon Middle & High
<b>UNRESTRICTED SUPPORT AND REVENUES</b>				
State support and revenues				
Local control funding formula, state aid	\$ 502,362	\$ 1,245,938	\$ 660,983	\$ 259,839
Other state revenues	200,984	310,378	525,951	531,084
Total state support and revenues	703,346	1,556,316	1,186,934	790,923
Local support and revenues				
Payments in lieu of property taxes	185,158	413,921	62,873	98,553
Investment income, net	1,145	1,146	1,145	1,145
Other local revenues	1,206	2,579	567	766
Total local support and revenues	187,509	417,646	64,585	100,464
Donor restrictions satisfied	1,628	-	4,664	4,887
<b>Total Unrestricted Support and Revenues</b>	892,483	1,973,962	1,256,183	896,274
<b>EXPENSES</b>				
Charter school operations	413,109	2,583,498	178,357	328,268
<b>Total Expenses</b>	413,109	2,583,498	178,357	328,268
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>				
	479,374	(609,536)	1,077,826	568,006
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
State restricted revenues	10,852	12,172	31,091	32,557
Donor restrictions satisfied	(1,628)	-	(4,664)	(4,887)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>				
	9,224	12,172	26,427	27,670
<b>CHANGE IN NET ASSETS</b>				
	488,598	(597,364)	1,104,253	595,676
<b>Net Assets - Beginning</b>	744,611	974,588	858,183	1,473,498
<b>Net Assets - Ending</b>	\$ 1,233,209	\$ 377,224	\$ 1,962,436	\$ 2,069,174

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES**  
**STATEMENT OF ACTIVITIES BY CHARTER, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

California Charter No.	Ventura County		Sonoma County	Fresno County
	1456	1455	1457	1631
	Thousand			
	Oxnard & Ventura	Oaks & Simi Valley	Sonoma	Fresno
<b>UNRESTRICTED SUPPORT AND REVENUES</b>				
Federal and state support and revenues				
Local control funding formula, state aid	\$ 783,391	\$ 2,763,210	\$ 1,494,915	\$ 1,254,418
Other state revenues	601,555	620,987	316,179	215,689
<b>Total federal and state support and revenues</b>	<b>1,384,946</b>	<b>3,384,197</b>	<b>1,811,094</b>	<b>1,470,107</b>
Local support and revenues				
Payments in lieu of property taxes	41,568	139,766	997,255	65,111
Investment income, net	1,258	254	9,064	386
Other local revenues	3,259	13,593	5,793	1,545
<b>Total local support and revenues</b>	<b>46,085</b>	<b>153,613</b>	<b>1,012,112</b>	<b>67,042</b>
Donor restrictions satisfied	3,652	-	-	-
<b>Total Unrestricted Support and Revenues</b>	<b>1,434,683</b>	<b>3,537,810</b>	<b>2,823,206</b>	<b>1,537,149</b>
<b>EXPENSES</b>				
Charter school operations	404,372	4,049,944	3,364,230	1,656,007
<b>Total Expenses</b>	<b>404,372</b>	<b>4,049,944</b>	<b>3,364,230</b>	<b>1,656,007</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>				
	1,030,311	(512,134)	(541,024)	(118,858)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
State restricted revenues	24,345	26,104	13,639	9,679
Donor restrictions satisfied	(3,652)	-	-	-
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>20,693</b>	<b>26,104</b>	<b>13,639</b>	<b>9,679</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,051,004</b>	<b>(486,030)</b>	<b>(527,385)</b>	<b>(109,179)</b>
<b>Net Assets - Beginning</b>	<b>2,138,049</b>	<b>2,019,643</b>	<b>663,967</b>	<b>602,213</b>
<b>Net Assets - Ending</b>	<b>\$ 3,189,053</b>	<b>\$ 1,533,613</b>	<b>\$ 136,582</b>	<b>\$ 493,034</b>

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES**  
**STATEMENT OF ACTIVITIES BY CHARTER, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

California Charter No.	Los Angeles County	
	1651	1652
	Los Angeles (9 - 12)	Los Angeles (K - 8)
<b>UNRESTRICTED SUPPORT AND REVENUES</b>		
Federal and state support and revenues		
Local control funding formula, state aid	\$ 260,095	\$ 787,095
Other state revenues	216,174	331,414
Total federal and state support and revenues	476,269	1,118,509
Local support and revenues		
Payments in lieu of property taxes	15,665	51,097
Investment income, net	-	-
Other local revenues	354	1,097
Total local support and revenues	16,019	52,194
Donor restrictions satisfied	-	2,816
<b>Total Unrestricted Support and Revenues</b>	492,288	1,173,519
<b>EXPENSES</b>		
Charter school operations	840,050	518,441
<b>Total Expenses</b>	840,050	518,441
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>		
	(347,762)	655,078
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
State restricted revenues	12,612	18,772
Donor restrictions satisfied	-	(2,816)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>		
	12,612	15,956
<b>CHANGE IN NET ASSETS</b>		
	(335,150)	671,034
<b>Net Assets - Beginning</b>	1,088,511	795,576
<b>Net Assets - Ending</b>	\$ 753,361	\$ 1,466,610

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES  
 CHARTER EXPENSES BY OBJECT CLASSIFICATION  
 FOR THE YEAR ENDED JUNE 30, 2016**

	1452	1454	1451	1453	1456	1455	1457	1631	1651	1652
	Del Mar Elementary	Del Mar Middle & High	El Cajon Elementary	El Cajon Middle & High	Oxnard & Ventura	Thousand Oaks & Simi Valley	Sonoma	Fresno	Los Angeles (9 - 12)	Los Angeles (K - 8)
<b>EXPENSES</b>										
<b>Charter School Operations</b>										
Personnel expenses										
Certificated salaries	\$ 119,273	\$ 768,820	\$ 38,675	\$ 59,076	\$ 133,076	\$ 1,285,111	\$ 998,924	\$ 565,997	\$ 181,262	\$ 153,241
Classified salaries	23,667	249,207	12,022	12,308	28,028	349,004	246,926	120,527	76,694	31,796
Employee benefits	42,208	239,579	24,198	25,951	45,162	353,015	249,144	115,849	64,157	43,708
Total personnel expenses	185,148	1,257,606	74,895	97,335	206,266	1,987,130	1,494,994	802,373	322,113	228,745
Non-personnel expenses										
Books and supplies	112,812	676,261	76,311	45,088	118,422	1,235,216	859,361	581,968	246,633	130,639
Services and other operating	114,473	648,955	27,151	185,169	79,008	826,922	1,009,875	271,666	270,460	158,213
Debt service - interest	676	676	-	676	676	676	-	-	844	844
Total non-personnel expenses	227,961	1,325,892	103,462	230,933	198,106	2,062,814	1,869,236	853,634	517,937	289,696
<b>Total Expenses</b>	<b>\$ 413,109</b>	<b>\$ 2,583,498</b>	<b>\$ 178,357</b>	<b>\$ 328,268</b>	<b>\$ 404,372</b>	<b>\$ 4,049,944</b>	<b>\$ 3,364,230</b>	<b>\$ 1,656,007</b>	<b>\$ 840,050</b>	<b>\$ 518,441</b>

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES  
CHARTER ORGANIZATIONAL STRUCTURE  
JUNE 30, 2016**

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Academy of Arts & Sciences (the “Academy”) was formed as a nonprofit public benefit corporation on October 28, 2011. As of June 30, 2016, the Academy operated fifteen California public charter schools in six counties. The following is a list of all charter schools operated by the Academy during 2015-16:

Charter School	Charter No.	Classes Began	Authorizing Agency	County
Academy of Arts and Sciences: Del Mar Elementary (K-5)	1452	8/27/2012	MEUSD	San Diego
Academy of Arts and Sciences: Del Mar Middle & High (6-12)	1454	8/27/2012	MEUSD	San Diego
Academy of Arts and Sciences: El Cajon Elementary (K-5)	1451	8/19/2013	MEUSD	San Diego
Academy of Arts and Sciences: El Cajon Middle & High (6-12)	1453	8/15/2012	MEUSD	San Diego
Academy of Arts and Sciences: Oxnard & Ventura	1456	8/15/2012	MESD	Ventura
Academy of Arts and Sciences: Sonoma	1457	9/28/2012	CRPUSD	Sonoma
Academy of Arts and Sciences: Thousand Oaks & Simi Valley	1455	8/15/2012	MESD	Ventura
Academy of Arts and Sciences Fresno	1631	7/1/2014	OC	Fresno
Academy of Arts and Sciences: Los Angeles (9-12)	1651	7/1/2014	AADUSD	Los Angeles
Academy of Arts and Sciences: Los Angeles (K-8)	1652	7/1/2014	AADUSD	Los Angeles

*MEUSD – Mountain Empire Unified School District  
CRPUSD – Cotati-Rohnert Park Unified School District  
NJESD – New Jeruseleum Elementary School District*

*MESD – Mupu Elementary School District  
OC – Orange Center School District  
AADUSD – Acton-Agua Dulce Unified District*

The Board of Directors of the Academy of Arts & Sciences oversees the operations for all charter schools of the Academy. As of June 30, 2016, the members are as follows:

**BOARD OF TRUSTEES**

Trustee	Office	Term Ending
James (J.J.) Lewis	President & CEO	June 2016
Jeff Tilton	Vice President	June 2016
Rick Keltner	Trustee	June 2016
Peter McDonald	Trustee	June 2017
Miriam Cohen	Trustee	June 2018
Kathy Granger	District Representative	No Term Limit

**ADMINISTRATION**

James (J.J.) Lewis  
*President & CEO*

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

*No Classroom Based average daily attendance was generated during the fiscal year 2015-16 by any charter school of the Academy noted below*

**SECOND PERIOD REPORT: AVERAGE DAILY ATTENDANCE (ADA) - NON-CLASSROOM BASED**

California Charter No.	1452	1454	1451	1453	1456	1457	1455	1631	1651	1652
	Del Mar Elementary	Del Mar Middle & High	El Cajon Elementary	El Cajon Middle & High	Oxnard & Ventura	Sonoma	Thousand Oaks & Simi Valley	Fresno	Los Angeles (9-12)	Los Angeles (K-8)
<b>Grade Span</b>										
Grades K - 3	61.57	-	26.96	-	27.61	120.50	46.81	44.05	-	40.80
Grades 4 - 6	30.49	23.83	4.30	4.12	20.87	67.51	42.16	30.55	-	27.64
Grades 7 - 8	-	43.05	-	21.93	25.77	39.15	54.74	22.84	-	35.28
Grades 9 - 12	-	138.81	-	22.95	36.22	97.08	228.75	61.21	31.82	-
<b>Total ADA - Non-Classroom Based</b>	92.06	205.69	31.26	49.00	110.47	324.24	372.46	158.65	31.82	103.72

**SECOND PERIOD REPORT: AVERAGE DAILY ATTENDANCE (ADA) - NON-CLASSROOM BASED  
REVISED DUE TO AUDIT ADJUSTMENTS\***

California Charter No.	1452	1454	1451	1453	1456	1457	1455	1631	1651	1652
	Del Mar Elementary	Del Mar Middle & High	El Cajon Elementary	El Cajon Middle & High	Oxnard & Ventura	Sonoma	Thousand Oaks & Simi Valley	Fresno	Los Angeles (9-12)	Los Angeles (K-8)
<b>Grade Span</b>										
Grades K - 3	59.57	-	26.17	-	27.10	118.53	46.81	43.05	-	40.80
Grades 4 - 6	30.49	23.83	4.30	4.12	20.87	67.51	42.16	30.08	-	27.64
Grades 7 - 8	-	43.05	-	21.93	25.77	39.15	54.74	22.84	-	35.28
Grades 9 - 12	-	138.81	-	22.95	36.05	97.00	228.75	61.21	31.82	-
<b>Total ADA - Non-Classroom Based</b>	90.06	205.69	30.47	49.00	109.79	322.19	372.46	157.18	31.82	103.72

*\*Revision to the Second Period Report includes audit adjustments as well as other Academy adjustments.*

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**ANNUAL REPORT: AVERAGE DAILY ATTENDANCE (ADA) - NON-CLASSROOM BASED**

California Charter No.	1452	1454	1451	1453	1456	1457	1455	1631	1651	1652
	Del Mar Elementary	Del Mar Middle & High	El Cajon Elementary	El Cajon Middle & High	Oxnard & Ventura	Sonoma	Thousand Oaks & Simi Valley	Fresno	Los Angeles (9-12)	Los Angeles (K-8)
<b>Grade Span</b>										
Grades K - 3	62.60	-	26.77	-	29.07	121.90	44.55	43.84	-	39.60
Grades 4 - 6	31.12	22.98	4.21	3.85	22.93	69.77	40.34	31.54	-	28.02
Grades 7 - 8	-	39.46	-	21.79	26.39	39.82	52.32	22.90	-	34.19
Grades 9 - 12	-	133.15	-	20.24	34.86	97.25	227.05	60.25	30.39	-
<b>Total ADA - Non-Classroom Based</b>	93.72	195.59	30.98	45.88	113.25	328.74	364.26	158.53	30.39	101.81

**ANNUAL REPORT: AVERAGE DAILY ATTENDANCE (ADA) - NON-CLASSROOM BASED**  
**REVISED DUE TO AUDIT ADJUSTMENTS\***

California Charter No.	1452	1454	1451	1453	1456	1457	1455	1631	1651	1652
	Del Mar Elementary	Del Mar Middle & High	El Cajon Elementary	El Cajon Middle & High	Oxnard & Ventura	Sonoma	Thousand Oaks & Simi Valley	Fresno	Los Angeles (9-12)	Los Angeles (K-8)
<b>Grade Span</b>										
Grades K - 3	60.60	-	26.27	-	28.74	119.92	44.55	42.84	-	39.60
Grades 4 - 6	31.12	22.98	4.21	3.85	22.93	69.77	40.34	31.26	-	28.02
Grades 7 - 8	-	39.46	-	21.79	26.39	39.82	52.32	22.90	-	34.19
Grades 9 - 12	-	133.15	-	20.24	34.73	97.20	227.05	60.25	30.39	-
<b>Total ADA - Non-Classroom Based</b>	91.72	195.59	30.48	45.88	112.79	326.71	364.26	157.25	30.39	101.81

*\*Revision to the Annual Report includes audit adjustments as well as other Academy adjustments.*

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES  
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

California Charter No.	1452	1454	1451	1453	1456
	Del Mar Elementary	Del Mar Middle & High	El Cajon Elementary	El Cajon Middle & High	Oxnard & Ventura
June 30, 2016, fund balance per alternative form	\$ 1,181,049	\$ 304,387	\$ 1,883,170	\$ 1,983,546	\$ 2,872,579
Adjustments:					
Increase (decrease) in total net assets:					
Adjustment to revenues	52,160	72,837	569,639	85,628	316,474
Adjustment to expenses	-	-	(490,373)	-	-
Total net adjustments	52,160	72,837	79,266	85,628	316,474
June 30, 2016, net assets per audited financial statements	\$ 1,233,209	\$ 377,224	\$ 1,962,436	\$ 2,069,174	\$ 3,189,053

California Charter No.	1457	1455	1631	1651	1652
	Sonoma	Thousand Oaks & Simi Valley	Fresno	Los Angeles (9 - 12)	Los Angeles (K - 8)
June 30, 2016, fund balance per alternative form	\$ 97,706	\$ 1,249,122	\$ 399,234	\$ 709,825	\$ 1,304,819
Adjustments:					
Increase (decrease) in total net assets:					
Adjustment to revenues	38,877	284,491	93,800	43,536	161,792
Adjustment to expenses	(1)	-	-	-	(1)
Total net adjustments	38,876	284,491	93,800	43,536	161,791
June 30, 2016, net assets per audited financial statements	\$ 136,582	\$ 1,533,613	\$ 493,034	\$ 753,361	\$ 1,466,610

See accompanying note to the supplementary information.



NOTE 1 – PURPOSE OF SCHEDULES

A. Statements by Charter

Academy of Arts & Sciences' statements of financial position, and activities by school provide information supporting the amounts incorporated in the Academy's financial statements, which include results from both schools operated by the corporation.

B. Charter Expenses by Object Classification

The costs of providing services have not been summarized on a functional basis. Academy of Arts & Sciences has opted to present expenses based on object classification as reported under the standardized account code structure (SACS) format outlined in the *California School Accounting Manual*. The object field classifies expenditures according to the types of items purchased or services.

C. Charter Organizational Structure

This schedule provides information about the charter schools' authorizing agencies, grades served, members of the governing body, and members of the administration.

D. Schedule of Average Daily Attendance (ADA)

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

E. Reconciliation of Financial Report - Alternative Form with Audited Financial Statements

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

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**OTHER INDEPENDENT AUDITORS' REPORTS**

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DRAFT 11.8.16

**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**

Independent Auditors' Report

To the Board of Directors of  
Academy of Arts & Sciences  
Thousand Oaks, California

We have audited, 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, the financial statements of Academy of Arts & Sciences (the "Academy") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated **November 4, 2016**.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting ("internal control") to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying findings and questioned costs section that we consider to be significant deficiencies as Finding 2016-1.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy'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*.

## **Academy of Arts & Sciences' Response to Finding**

Academy of Arts & Sciences' response to the finding identified in our audit is described in the accompanying findings and questioned costs section. The Academy's responses were 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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California

November 4, 2016

DRAFT 11.8.16

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

To the Board of Directors of  
Academy of Arts & Sciences  
Thousand Oaks, California

#### **Report on State Compliance**

We have audited Academy of Arts & Sciences' compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Academy of Arts & Sciences' state programs for the fiscal year ended June 30, 2016, as identified below. Reference to Academy of Arts & Sciences within this letter is inclusive of all charter schools referenced in Note 1A of the accompanying notes to the financial statements.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Academy of Arts & Sciences' state 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 the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards 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 the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Academy of Arts & Sciences' 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 the requirements referred to above. However, our audit does not provide a legal determination of Academy of Arts & Sciences' compliance with those requirements.

#### **Opinion on State Compliance**

In our opinion, Academy of Arts & Sciences complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying findings and questioned costs section as Findings 2016-2 through 2016-4. Our opinion on state compliance is not modified with respect to these matters.

Academy of Arts & Sciences’ response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Academy of Arts & Sciences’ response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Procedures Performed**

In connection with the audit referred to above, we selected and tested transactions and records to determine Academy of Arts & Sciences’ compliance with the state laws and regulations applicable to the following items:

<i>California Charter Numbers:</i>	<i>1451, 1452, 1453, 1456, 1652</i>	<i>1454, 1455, 1457, 1631, 1651</i>
<b>Description</b>	<b>Procedures Performed</b>	<b>Procedures Performed</b>
<b>School Districts, County Office of Education and Charter Schools</b>		
Educator Effectiveness	Yes	Not applicable
California Clean Energy Jobs Act	No	No
After School Education and Safety Program:	Not applicable	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes	Yes
Local Control and Accountability Plan	Yes	Yes
Independent Study – Couse Based	Not applicable	Not Applicable
Immunizations	Yes	Yes
<b>Charter Schools</b>		
Attendance	Yes	Yes
Mode of Instruction	Not applicable	Not applicable
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes	Yes
Annual Instructional Minutes – Classroom Based	Not applicable	Not applicable
Charter School Facility Grant Program	Not applicable	Not applicable

For applicable Charters noted above, we did not perform procedures for the California Clean Energy Jobs Act because no funds were expended during 2015-16 for each of the charter schools.

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**FINDINGS AND QUESTIONED COSTS  
SECTION**

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DRAFT 118.60

**ACADEMY OF ARTS & SCIENCES  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No

**FEDERAL AWARDS**

*The Academy did not expend more than \$750,000 in federal awards during the fiscal year 2015-16; therefore, this is not applicable.*

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

DRAFT 11.18.16



ACADEMY OF ARTS & SCIENCES  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

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FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING 2016-1: FINANCIAL STATEMENT REPORTING (30000)

**Criteria:** Generally accepted accounting principles (GAAP) requires the presentation, in either a statement of activities or the notes to the financial statements, of information about expenses reported by their functional classification, such as major classes of program services and supporting activities. Though not required by GAAP, fund accounting may be used for internal recordkeeping to properly segregate assets, liabilities, and fund balances into separate accounting entities; thus, it can be used to track an organization's fiduciary responsibilities to ensure use of assets in accordance with donor-imposed or government mandated restrictions.

**Condition:** During our substantive audit procedures, we noted that no allocation was performed nor information available for reporting of expenses on a functional basis. Additionally, fund accounting was utilized within the accounting software to track financial data required to be reported by each public charter school to the California Department of Education (CDE). Based on review of financial statements, balance sheet items did not properly reconcile to data reported by charter school to the CDE. One common operating checking account was maintained by the Academy for all banking activities and a lack of proper fund accounting caused for inadequate tracking of cash balances by charter school. Additionally, transactions involving inter-agency receivables/payables were not properly maintained, requiring several audit adjustments.

**Cause:** Accounting software limitations as well as miscommunications and ineffective practices by the business services provider coupled with inadequate review of financial statements by Academy management personnel.

**Effect:** Financial statements are not presented in accordance with GAAP with relation to functional expenses. Additionally, activities and account balances could be inappropriately reported to the CDE with regards to financial reporting by charter school.

**Recommendation:** We recommend that Academy management properly review financial data prepared by third-party consultants to ensure for proper presentation of financial data in accordance with GAAP. Additionally, we recommend that proper fund accounting be implemented if this method of accounting will be utilized to ensure accurate reporting of financial data to reporting agencies for each of its public charter school.

**Academy's Response:**

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING 2016-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000)**

**Criteria:** In accordance with *California Education Code Section 51749.5* and *51749.6* a signed learning agreement for each independent study pupil shall be maintained on file and the learning agreement shall be signed before commencement of independent study in order to be eligible for apportionment. Additionally, independent study average daily attendance (ADA) may be claimed only for pupils who are residents of the county in which the apportionment claim is reported for the charter school, or who are residents of a county immediately adjacent to the county in which the apportionment claim is reported (*California Education Code Section 51747.3*).

**Condition:** In our performance of audit procedures over independent study/non classroom-based attendance, we noted issues of noncompliance in five (5) charter schools operated by the Academy. A summary of each issue is noted below.

- a) **Non-Resident Student:** We noted that one (1) student from *Academy of Arts and Sciences: Fresno* did not reside in the county or a contiguous county for the charter school attended. Total unallowable apportionment amounted to eleven (11) days.
- b) **Incomplete Master Agreements:** Master agreements were missing one or more required signatures for the following charter schools:
  - *Academy of Arts and Sciences: Fresno:* Two (2) students master agreement incomplete for a total of 180 days of unallowable apportionment.
  - *Academy of Arts and Sciences: Oxnard & Ventura:* One (1) student master agreement was incomplete for a total of 57 days of unallowable apportionment.
  - *Academy of Arts and Sciences: Sonoma:* Two (2) students master agreement were incomplete for a total of 258 days of unallowable apportionment.
  - *Academy of Arts and Sciences: Del Mar Elementary:* Two (2) students master agreement were incomplete for a total of 243 days of unallowable apportionment.
  - *Academy of Arts and Sciences: El Cajon Elementary:* One (1) student master agreement was incomplete for a total of 88 days of unallowable apportionment.
- c) **Untimely Signed Master Agreements:** Students received apportionment prior to collecting last required signature on master agreement.
  - *Academy of Arts and Sciences: Oxnard & Ventura:* One (1) student master agreement was untimely signed for a total of 22 days of unallowable apportionment.
  - *Academy of Arts and Sciences: Sonoma:* One (1) student master agreement was untimely signed for a total of nine (9) days of unallowable apportionment.

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINDING 2016-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000) (continued)**

**Effect:** Inaccurate reporting of ADA and noncompliance with State requirements. The ADA effects by charter school, grade span and reporting period are noted below:

<b>Charter School/Condition</b>	<b>Grade Span</b>	<b>P-2 ADA Effect</b>	<b>Annual ADA Effect</b>
<i>Academy of Art &amp; Sciences: Fresno</i>			
Condition a) previously mentioned	4 - 6	0.10	NA*
Condition b) previously mentioned	K - 3	1.00	1.00
Condition b) previously mentioned	4 - 6	0.37	0.28
<b>Total ADA Effect for AAS: Fresno</b>		<b>1.47</b>	<b>1.28</b>
<i>Academy of Arts &amp; Sciences: Oxnard &amp; Ventura</i>			
Condition b) previously mentioned	K - 3	0.51	0.33
Condition c) previously mentioned	9 - 12	0.17	0.13
<b>Total ADA Effect for AAS: Oxnard &amp; Ventura</b>		<b>0.68</b>	<b>0.46</b>
<i>Academy of Arts &amp; Sciences: Sonoma</i>			
Condition b) previously mentioned	K - 3	1.97	1.98
Condition c) previously mentioned	9 - 12	0.08	0.05
<b>Total ADA Effect for AAS: Sonoma</b>		<b>2.05</b>	<b>2.03</b>
<i>Academy of Arts &amp; Sciences: Del Mar Elementary (K-5)</i>			
Condition b) previously mentioned	K - 3	2.00	2.00
<b>Total ADA Effect for AAS: Del Mar Elementary</b>		<b>2.00</b>	<b>2.00</b>
<i>Academy of Arts &amp; Sciences: El Cajon Elementary (K-5)</i>			
Condition b) previously mentioned	K - 3	0.79	0.50
<b>Total ADA Effect for AAS: El Cajon Elementary</b>		<b>0.79</b>	<b>0.50</b>
<b>Grand Total - All Schools</b>		<b>6.99</b>	<b>6.27</b>

\*NA – Not applicable. The student was removed from the student information system as enrolled in this charter school prior to reporting of Annual attendance data; therefore, there is no effect on Annual ADA.

**Cause:** Proper procedures for enrollment of students in correct the charter school and review of student master agreements prior to start of instruction are not being adhered to in order to ensure for compliance with independent study attendance requirements.

**Questioned Cost:** A total of \$54,610 was calculated as due from the Academy for all noted attendance exceptions referenced above. Please refer to the following page for the calculation of this questioned cost and the impact by charter school.

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINDING 2016-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000) (continued)**

**Questioned Cost (continued):**

	<b>Overstated P-2 ADA</b>	<b>Overstated Annual ADA</b>	<b>Adjusted Base Grant per ADA</b>	<b>Questioned Cost</b>
<i>Academy of Art &amp; Sciences: Fresno</i>				
<b>Grade Span</b>				
Kindergarten through third	1.00	1.00	\$ 7,820	\$ 7,820
Fourth through sixth	0.47	0.28	\$ 7,189	3,379
<b>Total AAS: Fresno</b>	<b>1.47</b>	<b>1.28</b>		<b>11,199</b>
<i>Academy of Arts &amp; Sciences: Oxnard &amp; Ventura</i>				
<b>Grade Span</b>				
Kindergarten through third	0.51	0.33	\$ 7,820	3,988
Ninth through twelfth	0.17	0.13	\$ 8,801	1,496
<b>Total AAS: Oxnard &amp; Ventura</b>	<b>0.68</b>	<b>0.46</b>		<b>5,484</b>
<i>Academy of Arts &amp; Sciences: Sonoma</i>				
<b>Grade Span</b>				
Kindergarten through third	1.97	1.98	\$ 7,820	15,405
Ninth through twelfth	0.08	0.05	\$ 8,801	704
<b>Total AAS: Sonoma</b>	<b>2.05</b>	<b>2.03</b>		<b>16,109</b>
<i>Academy of Arts &amp; Sciences: Del Mar Elementary (K-5)</i>				
<b>Grade Span</b>				
Kindergarten through third	2.00	2.00	\$ 7,820	15,640
<b>Total AAS: Del Mar Elementary</b>	<b>2.00</b>	<b>2.00</b>		<b>15,640</b>
<i>Academy of Arts &amp; Sciences: El Cajon Elementary (K-5)</i>				
<b>Grade Span</b>				
Kindergarten through third	0.79	0.50	\$ 7,820	6,178
<b>Total AAS: El Cajon Elementary</b>	<b>0.79</b>	<b>0.50</b>		<b>6,178</b>
<b>Grand Total - All Schools</b>	<b>6.99</b>	<b>6.27</b>		<b>\$ 54,610</b>

**Recommendations:** We recommend that proper procedures be established to ensure that the data within the attendance system and the student's file are accurate.

**Academy's Response:**

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINDING 2016-3: INDEPENDENT STUDY RATIO (40000)**

**Criteria:** In accordance with *California Education Code (EC) Section 51745.5*, the ratio of average daily attendance (ADA) for independent study pupils to full-time equivalent (FTE) certificated employees responsible for independent study is not to exceed the equivalent ratio of ADA to FTE identified as the comparative ratio. Pursuant to *EC Section 51745.6(d)* and *California Code of Regulations (CCR), Title V, Section 11704*, the comparative ratio for charter schools is the prior year ratio for all other non-independent study educational programs of the largest unified school district in the county or counties in which they operate, or a fixed ratio of 25 to 1.

**Condition:** Upon review of nonclassroom-based or independent study ADA and teacher FTE counts, we noted three (3) of the ten (10) charter schools operated by the Academy exceeded the comparative ratio of 25 to 1.

**AAS: Del Mar Elementary (K-5)**

- A ratio of 27.1 to 1 was calculated based on reported P-2 ADA of 92.06 and a teacher FTE of 3.40.

**AAS: Del Mar Middle & High (6-12)**

- A ratio of 29.0 to 1 was calculated based on reported P-2 ADA of 205.69 and a teacher FTE of 7.10.

**AAS: Thousand Oaks & Simi Valley**

- A ratio of 31.0 to 1 was calculated based on reported P-2 ADA of 372.46 and a teacher FTE of 12.00.

**Effect:** The charter schools are not in compliance with State requirements. Calculation of excess ADA in total by charter school and allocation by grade span for each charter school are as follows:

**Calculation of Excess ADA by Charter:**

Charter School	P-2 ADA	Teacher FTE	Ratio to 1 ADA	Excess per FTE	Total Excess ADA
Del Mar Elementary (K-5)	92.06	3.40	27.1	2.1	7.1
Del Mar Middle & High (6-12)	205.69	7.10	29.0	4.0	28.4
Thousand Oaks & Simi Valley	372.46	12.00	31.0	6.0	72.0
			<b>Total Excess ADA</b>		<b>107.5</b>

**Allocation of Excess ADA by Grade Span:**

Charter School	Grades K – 3	Grades 4 – 6	Grades 7 – 8	Grades 9 – 12	Total Excess ADA
Del Mar Elementary (K-5)	4.7	2.4	0.0	0.0	7.1
Del Mar Middle & High (6-12)	0.0	3.3	5.9	19.2	28.4
Thousand Oaks & Simi Valley	9.0	8.1	10.6	44.3	72.0
			<b>Total Excess ADA</b>		<b>107.5</b>

**Cause:** The charter school did not monitor internal staffing requirements to maintain the required student to teacher ratios, but instead relied on services of instructional consultants to aid in instruction of students in excess of teacher 25 to 1 averages.

**Questioned Costs:** \$870,102 (see calculation on following page)

ACADEMY OF ARTS & SCIENCES  
 STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
 FOR THE YEAR ENDED JUNE 30, 2016

FINDING 2016-3: INDEPENDENT STUDY RATIO (40000) (continued)

Questioned Costs (continued):

	<u>Excess ADA</u>	<u>Adjusted Base Grant per ADA</u>	<u>Questioned Cost</u>
<b>Del Mar Elementary (K-5)</b>			
<b>Grade Span</b>			
Kindergarten through third	(4.7)	\$ 7,820	\$ (36,754)
Fourth through sixth	(2.4)	\$ 7,189	(17,254)
<b>Total Del Mar Elementary (K-5)</b>	<u>(7.1)</u>		<u>(36,754)</u>
<b>Del Mar Middle &amp; High (6-12)</b>			
<b>Grade Span</b>			
Fourth through sixth	(3.3)	\$ 7,189	(23,724)
Seventh through eighth	(5.9)	\$ 7,403	(43,678)
Ninth through twelfth	(19.2)	\$ 8,801	(168,979)
<b>Total Del Mar Middle &amp; High (6-12)</b>	<u>(28.4)</u>		<u>(236,381)</u>
<b>Thousand Oaks</b>			
<b>Grade Span</b>			
Kindergarten through third	(9.0)	\$ 7,820	(70,380)
Fourth through sixth	(8.1)	\$ 7,189	(58,231)
Seventh through eighth	(10.6)	\$ 7,403	(78,472)
Ninth through twelfth	(44.3)	\$ 8,801	(389,884)
<b>Total Thousand Oaks</b>	<u>(72.0)</u>		<u>(596,967)</u>
<b>Grand Totals</b>	<u>(107.5)</u>		<u>\$ (870,102)</u>

**Recommendation:** We recommend that student enrollment and staffing be closely monitored and adjusted when necessary to ensure compliance with independent study ADA to teacher FTE ratios.

**Academy's Response:**

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING 2016-4: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA (LCFF) PUPIL COUNT (40000)**

**Criteria:** Students classified as Free or Reduced Priced Meal (FRPM) eligible and/or English Learners (EL), who are not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report, must have supporting documentation that indicates the student was eligible for this designation. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** Based on review and testing of student designations from the 2015-16 CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report for each charter, we noted the following:

**AAS: Del Mar Elementary (K-5)**

- Exception was noted for one (1) of five (5) students designated as FRPM. Supporting documentation for household income verification was not provided to verify student's FRPM status.

**AAS: Del Mar Middle & High (6-12)**

- Exceptions were noted for two (2) of four (4) students designated as FRPM. Supporting documentation for household income verification was not provided to verify student's FRPM status for one (1) student and the other student only had 2014-15 household income data provided. .
- Exception was noted for one (1) of two (2) students designated as EL and non-FRPM. Home language survey provided indicated the student should have been classified as English Only. .

**AAS: El Cajon Elementary (K-5)**

- Exception was noted for one (1) of two (2) students designated as FRPM. Supporting documentation for household income verification provided to verify student's FRPM status was from 2013-14.

**AAS: El Cajon Middle & High (6-12)**

- Exceptions were noted for four (4) of four (4) students designated as FRPM. One (1) student should have been designated as paid status, two (2) students only had 2013-14 income data on file and income verification documentation was not provided for the remaining student.

**AAS: Oxnard & Ventura**

- Exceptions were noted for two (2) of six (6) students designated as FRPM. One (1) student only had 2014-15 income data on file and income verification documentation was not provided for the remaining student.

**AAS: Sonoma**

- Exception was noted for one (1) of five (5) students designated as FRPM. Income verification documentation provided for the student indicated a paid status.

**AAS: Thousand Oaks & Simi Valley**

- Exceptions were noted for four (4) of six (6) students designated as FRPM. Three (3) students should have been designated as paid status and income verification documentation was not provided for the remaining student.
- Exceptions were noted for one (1) of three (3) student designated as EL and non-FRPM. Home language survey provided indicated the student should have been classified as English Only.

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING 2016-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)**

**Condition (continued):**

**AAS: Fresno**

- Exception was noted for one (1) of five (5) students designated as FRPM. Supporting documentation for household income verification provided to verify student's FRPM status was from 2014-15.

**AAS: Los Angeles K-8**

- Exceptions were noted for two (2) of five (5) students designated as FRPM. The two (2) students only had 2014-15 income data on file.
- Exception was noted for one (1) of one (1) student designated as EL and non-FRPM. Home language survey provided indicated the student should have been classified as English Only.

**Effect:** The charter schools are not in compliance with State requirements. Errors in the Unduplicated Pupil Count per charter school were extrapolated by finding the percentage of error and multiplying by the number of students in each designation (FRPM, EL, or FRPM and EL). In cases where the total population was tested, the total actual error is noted. Errors per charter are as follows:

**AAS: Del Mar Elementary (K-5)** Extrapolated error is 6 of 31 for FRPM only or -6 pupil counts in error.

**AAS: Del Mar Middle & High (6-12)** Extrapolated error is 6 of 11 for FRPM only and 3 of 6 for EL only for a total of -9 pupil counts in error.

**AAS: El Cajon Elementary (K-5)** Total FRPM only population was tested; actual error is 1 of 2 or -1 pupil count.

**AAS: El Cajon Middle & High (6-12)** Extrapolated error is 7 of 7 for FRPM only or -7 pupil counts in error.

**AAS: Oxnard & Ventura** Extrapolated error is 3 of 8 for FRPM only or -3 pupil counts in error.

**AAS: Sonoma** Extrapolated error is 2 of 12 for FRPM only or -2 pupil counts in error.

**AAS: Thousand Oaks & Simi Valley** Extrapolated error is 27 of 41 for FRPM only and actual error for testing of total population is 1 of 3 for EL only for a total of -28 pupil counts in error.

**AAS: Fresno** Extrapolated error is 2 of 10 for FRPM only or -2 pupil counts in error.

**AAS: Los Angeles K-8** Extrapolated error is 4 of 9 for FRPM only and actual error for testing of total population is 1 of 1 for EL only for a total of -5 pupil counts in error.

**Cause:** Documentation for FRPM and/or EL designations did not support the Unduplicated Pupil Count per charter school resulting in inaccuracies and support for designations was not retained by the charter schools.

**Questioned Costs:** \$16,103 (see calculation on following page)

**Recommendation:** We recommend that all household income documentation and documentation to support EL status be reviewed and obtained for accurate CALPADS reporting.

**Academy's Response:**



ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016

FINDING 2016-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)

Questioned Cost (continued):

	AAS: Del Mar Elementary (K-5)		AAS: Del Mar Middle & High (9-12)		AAS: El Cajon Elementary (K-5)		AAS: El Cajon Middle & High (6-12)		AAS: Oxnard & Ventura	
	Section 1: Regular UPP	Section 2: Alternative UPP	Section 1: Regular UPP	Section 2: Alternative UPP	Section 1: Regular UPP	Section 2: Alternative UPP	Section 1: Regular UPP	Section 2: Alternative UPP	Section 1: Regular UPP	Section 2: Alternative UPP
<b>Unduplicated Pupil Percentage (UPP) Audit Adjustment</b>										
1) Total Adjusted Enrollment from the UPP Exhibit as of P-2	347	411	474	558	673	986	648	1,073	586	887
2) Total Adjusted Unduplicated Count from the UPP Exhibit as of P-2	163	180	128	187	129	191	160	297	166	301
3) Number of Unduplicated Count audit adjustment		(6)		(9)		(1)		(7)		(3)
4) Revised Adjusted Unduplicated Pupil Count	157	174	119	178	128	190	153	290	163	298
5) UPP calculated at P-2	0.4697	0.4380	0.2700	0.3351	0.1917	0.1937	0.2469	0.2768	0.2833	0.3393
6) Revised UPP for audit finding	0.4524	0.4234	0.2511	0.3190	0.1902	0.1927	0.2361	0.2703	0.2782	0.3360
7) Greater of Revised UPP for audit finding from Section 1 or 2		0.4524		0.3190		0.1927		0.2703		0.3360
8) <b>Charter Schools Only:</b> Determinative School District Concentration Cap		0.7288		1.7288		0.7288		0.7288		0.5220
9) Revised UPP adjusted for Concentration Cap		<b>0.4524</b>		<b>0.3190</b>		<b>0.1927</b>		<b>0.2703</b>		<b>0.3360</b>
<b>LCFF Target Base Grant Funding</b>										
10) Total Base Grant Funding as of P-2	\$ 700,670		\$ 1,712,809		\$ 241,740		\$ 393,950		\$ 875,491	
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>										
11) Target Supplemental Grant Funding calculated as of P-2	\$ 65,821		\$ 114,792		\$ 9,365		\$ 21,809		\$ 59,411	
12) Revised Target Supplemental Grant Funding for audit finding	\$ 63,397		\$ 109,277		\$ 9,317		\$ 21,297		\$ 58,833	
13) Target Supplemental Grant Funding Audit Adjustment	\$ (2,424)		\$ (5,515)		\$ (48)		\$ (512)		\$ (578)	
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>										
14) Target Concentration Grant Funding calculated as of P-2	\$ -		\$ -		\$ -		\$ -		\$ -	
15) Revised Target Concentration Grant Funding for audit finding	\$ -		\$ -		\$ -		\$ -		\$ -	
16) Target Concentration Grant Funding Audit Adjustment	\$ -		\$ -		\$ -		\$ -		\$ -	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>										
17) Total target supplemental and concentration audit adjustment	\$ (2,424)		\$ (5,515)		\$ (48)		\$ (512)		\$ (578)	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Floor and Gap</b>										
18) Statewide gap funding rate	0.5255761597		0.5255761597		0.5255761597		0.5255761597		0.5255761597	
19) Estimated value of unduplicated pupil count audit adjustment for 2015-16	\$ (1,274)		\$ (2,899)		\$ (25)		\$ (269)		\$ (304)	

ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016

FINDING 2016-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)

Questioned Cost (continued):

	AAS: Sonoma		AAS: Thousand Oaks & Simi Valley		AAS: Fresno		AAS: Los Angeles K-8	
	Section 1: Regular UPP	Section 2: Alternative UPP	Section 1: Regular UPP	Section 2: Alternative UPP	Section 1: Regular UPP	Section 2: Alternative UPP	Section 1: Regular UPP	Section 2: Alternative UPP
<b>Unduplicated Pupil Percentage (UPP) Audit Adjustment</b>								
1) Total Adjusted Enrollment from the UPP Exhibit as of P-2	465	578	871	1,109	229	333	392	689
2) Total Adjusted Unduplicated Count from the UPP Exhibit as of P-2	112	155	272	411	108	155	95	148
3) Number of Unduplicated Count audit adjustment		(2)		(28)		(2)		(5)
4) Revised Adjusted Unduplicated Pupil Count	110	153	244	383	106	153	90	143
5) UPP calculated at P-2	0.2409	0.2682	0.3123	0.3706	0.4716	0.4655	0.2423	0.2148
6) Revised UPP for audit finding	0.2366	0.2647	0.2801	0.3454	0.4629	0.4595	0.2296	0.2075
7) Greater of Revised UPP for audit finding from Section 1 or 2		0.2647		0.3454		0.4629		0.2296
8) Charter Schools Only: Determinative School District Concentration Cap		0.4824		0.5220		0.9479		0.4353
9) Revised UPP adjusted for Concentration Cap		0.2647		0.3454		0.4629		0.2296
<b>LCFF Target Base Grant Funding</b>								
10) Total Base Grant Funding as of P-2	\$ 2,572,498		\$ 3,088,051		\$ 1,272,594		\$ 779,584	
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>								
11) Target Supplemental Grant Funding calculated as of P-2	\$ 137,989		\$ 228,886		\$ 120,031		\$ 37,779	
12) Revised Target Supplemental Grant Funding for audit finding	\$ 136,188		\$ 213,323		\$ 117,817		\$ 35,798	
13) Target Supplemental Grant Funding Audit Adjustment	\$ (1,801)		\$ (15,563)		\$ (2,214)		\$ (1,981)	
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>								
14) Target Concentration Grant Funding calculated as of P-2	\$ -		\$ -		\$ -		\$ -	
15) Revised Target Concentration Grant Funding for audit finding	\$ -		\$ -		\$ -		\$ -	
16) Target Concentration Grant Funding Audit Adjustment	\$ -		\$ -		\$ -		\$ -	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>								
17) Total target supplemental and concentration audit adjustment	\$ (1,801)		\$ (15,563)		\$ (2,214)		\$ (1,981)	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Floor and Gap</b>								
18) Statewide gap funding rate	0.5255761597		0.5255761597		0.5255761597		0.5255761597	
19) Estimated value of unduplicated pupil count audit adjustment for 2015-16	\$ (947)		\$ (8,180)		\$ (1,164)		\$ (1,041)	\$ (16,103)

**ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING 2015-1: CONTROLS OVER PAYROLL PROCESSING AND HUMAN RESOURCES (30000)**

**Criteria:** Best practice is to implement controls over payroll and human resources duties to ensure proper procedures over these areas. Proper controls over personnel files, salary schedules, and terminations are essential to avoid misuse of funds and ensure accurate maintenance of personnel records.

**Condition:** We found during testing that there were many payroll and human resources control deficiencies. We noted the following deficiencies:

- For five (5) of twenty-seven (27) employees, we noted that actual gross pay from the payroll register could not be accurately recalculated based on the employees approved pay rate and frequency.
- We noted two (2) employees were paid in advance of their hire dates.
- Based on the departments listed on the payroll registers, we noted one (1) employee was not accurately reported by proper object code classification for accurate reporting of expenditures and CalSTRS benefits.
- In our testing of terminated employees, we noted one (1) of nine (9) employees received payment well after his termination date. Overpayment from December 20, 2014 to March 15, 2015 is estimated to be \$6,120.00.

**Cause:** Because of the lack of controls over payroll and human resources, possibility of over/under payment of salaries occur, employee personnel files are not adequate, terminated employees are paid even after termination, and new employees are being paid in advance without proper approval.

**Effect:** Without proper oversight, terminated employees will continue to be paid after termination if controls are not put in place. Though the amount of overpayment may not be significant to AAS, sensitivity exists with the misuse of public funds. Improper object code classification in regards to personnel position can lead to misappropriation of expenses and improper personnel records. Proper controls regarding the alignment of position and salary control are essential to prevent over or under payment of salaries.

**Recommendations:** We recommend that AAS and EdHive ensure timely removal of terminated employees. We recommend that the actual amount of overpayment be determined and the former employee be contacted to arrange for repayment of the unearned wages. We strongly advise that legal guidance be obtained for proper handling of the matter. Controls over payroll and human resources need to be implemented to ensure proper procedures. We recommend that advance payment to employees for hours not yet worked either be avoided or must have prior approval from the Board of Directors

**Current Status:** Implemented

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINDING 2015-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000)**

**Criteria:** In accordance with *California Education Code Section 51747.5(b)* charter schools may claim apportionment credit for independent study only to the extent that time value of pupil work products as personally judged by a certificated teacher. A central element of the audit trail for charter school nonclassroom-based independent study average daily attendance (ADA) is contemporaneous records for each student identifying clearly each school day in a school calendar on which the student “engaged in required educational activities” to an extent sufficient to constitute at least one day of time value. Additionally, no ADA may be claimed from independent study until a written agreement is completed and in effect (*California Education Code Sections 46300.7 and 51747(c)(8)*).

**Condition:** In the testing of all twelve (12) nonclassroom-based charter schools operated by AAS, a sample of pupils from each charter was selected for testing. The below issues were found:

**Non-Resident Students:** Student(s) did not reside in the county or a contiguous county for the charter school attended

- *Academy of Arts and Sciences: Oxnard & Ventura:* One (1) student

**Missing Work Samples:** Student work samples were not available to support educational activities

- *Academy of Arts and Sciences: Thousand Oaks & Simi Valley:* One (1) student for the period of October 28 – November 25, 2015.
- *Cal Stem San Joaquin:* One (1) student for the period of November 12 – 25, 2014.

**Attendance Record:** Student(s) attendance days as determined by the teacher did not accurately reflect the apportionment within the attendance system.

- *Academy of Arts and Sciences: Oxnard & Ventura:* One (1) student’s days
- *Academy of Arts and Sciences: El Cajon Middle & High (6-12):* One (1) student’s days
- *Academy of Arts and Sciences: Los Angeles K-8:* One (1) student’s days

**Incomplete Master Agreements:** Master agreements were not on file, missing signatures, illegible or otherwise not sufficient

- *Academy of Arts and Sciences: Los Angeles 9-12:* Three (3) students’ master agreements
- *Academy of Arts and Sciences: Del Mar Middle & High:* One (1) student’s master agreement
- *Academy of Arts and Sciences: El Cajon Elementary:* One (1) student master agreement
- *Academy of Arts and Sciences: Fresno:* Four (4) student master agreements

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016

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FINDING 2015-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000) (continued)

**Condition (continued):** Additionally, in our review of the attendance records from all non-classroom-based charter schools operated by the Academy, we noted that the attendance system generated Grade Level Summary for the below mentioned schools did not match what was reported on the Second Period Attendance Report. The effects on the average daily attendance (ADA) during the annual attendance reporting period are also noted below:

**Second Period Attendance Report:**

- *Academy of Arts and Sciences: Thousand Oaks:* Total net overstatement of 1.40 ADA, resulting from 0.29 overstated ADA for grades 4-6, 1.10 overstated ADA for grades 7-8, and 0.01 overstated ADA for grades 9-12.
- *Academy of Arts and Sciences: El Cajon Elementary (K-5):* Total net understatement of 1.00 ADA, resulting from 1.00 understated ADA for grades K-3 Special Education.
- *Academy of Arts and Sciences: Oxnard & Ventura:* Total net overstatement of 1.77 ADA, resulting from 0.88 overstated ADA for grades K-3, 0.99 overstated ADA for grades 4-6, 1.94 understated ADA for grades 7-8, and 1.84 overstated ADA for grades 9-12.
- *Academy of Arts and Sciences: Fresno:* Total net understatement of 0.58 ADA, resulting from 0.29 understated ADA for grades 4-6 and 0.29 understated ADA for grades 7-8.
- *Academy of Arts and Sciences: Del Mar Elementary School:* Total net overstatement of 1.00 ADA, resulting from 1.00 overstated ADA for grades K-3.
- *Cal Stem San Joaquin:* Total net understatement of 0.09 ADA, resulting from 0.09 understated ADA for grades 7-8.

**Annual Attendance Report:**

- *Academy of Arts and Sciences: Thousand Oaks:* Total net overstatement of 1.00 ADA, resulting from 1.00 overstated ADA for grades 7-8.
- *Academy of Arts and Sciences: San Joaquin:* Total net overstatement of 3.54 ADA, resulting from 1.01 overstated ADA for grades K-3, 0.04 overstated ADA for grades 4-6, 0.27 overstated ADA for grades 7-8, and 2.22 overstated ADA for grades 9-12.
- *Cal Stem San Joaquin:* Total net understatement of 0.05 ADA, resulting from 0.05 understated ADA for grades 7-8.

**Effect:**

**Second Period Attendance Report ADA:**

- *Academy of Arts and Sciences: El Cajon Elementary:* Total net overstatement of 1.00 ADA for grades 4-6, resulting from the above mentioned incomplete master agreement.
- *Academy of Arts and Sciences: El Cajon Middle & High:* Total net overstatement of 0.50 ADA, resulting from the above mentioned attendance record discrepancy. Total overstatement of 0.50 ADA for grades 7-8.
- *Academy of Arts and Sciences: Del Mar Middle & High:* Total net overstatement of 0.47 ADA for grades 7-8, resulting from the above mentioned incomplete master agreement.

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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FINDING 2015-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000) (continued)

Effect (continued):

**Second Period Attendance Report ADA (continued):**

- *Academy of Arts and Sciences: Oxnard & Ventura:* Total net overstatement of 0.72 ADA for grades K-3, resulting from the above mentioned non-resident discrepancies in attendance records.
- *Academy of Arts and Sciences: Los Angeles K-8:* Total net overstatement of 3.23 ADA, resulting from the above mentioned attendance record discrepancy. Total overstatement of 0.23 ADA for grades K-3. Total overstatement of 2.00 ADA for grades 4-6. Total overstatement of 1.00 for grades 7-8.
- *Academy of Arts and Sciences: Los Angeles 9-12:* Total net overstatement of 2.12 ADA for grades 9-12, resulting from the above mentioned incomplete master agreements.
- *Academy of Arts and Sciences: Fresno:* Total net overstatement of 3.50 ADA, resulting from the above mentioned incomplete master agreements. Total overstatement of 1.50 ADA for grades K-3. Total overstatement of 2.00 ADA for grades 9-12.
- *Academy of Arts and Sciences: Thousand Oaks & Simi Valley:* Total net overstatement of 0.70 ADA for grades 9-12, resulting from the above mentioned missing work sample.
- *Cal Stem San Joaquin:* Total net overstatement of 1.00 ADA, resulting from the above mentioned missing work sample. Total overstatement of 1.00 ADA for grades 7-8.

**Cause:** Controls over attendance reporting and master agreement requirements are not in place to assure the amounts reported on the Second Period Attendance Report is accurate and will result in a restatement of ADA. Controls over attendance reporting are not in place to assure that the amounts reported on the Second Period and Annual Attendance Report are accurate.

**Questioned Cost:** A total of \$21,033 was calculated as due from the Academy for all noted attendance exceptions referenced above. *Refer to 2014-15 audit report for full calculation of questioned cost.*

**Recommendations:** We recommend that proper procedures be established to ensure that the data within the attendance system and the student's file are accurate.

**Current Status:** Not fully implemented. See Finding 2016-2.

**ACADEMY OF ARTS & SCIENCES**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING 2015-3: ATTENDANCE FROM CLASSROOM BASED INSTRUCTION (1000)**

**Criteria:** In accordance with California Education Code Section 47612.5(a)(2), a charter school shall, as a condition of apportionment, maintain written contemporaneous records that document all pupil attendance, and make these records available for audit and inspection. Beginning 2009-10, the CDE allowed for approved schools districts and county offices to replace manual teacher signatures with digital signatures or other electronic certification processes. This approval does not currently extend to charter schools.

**Condition:** Based on inquiry and observation, no physical records of attendance have been generated from the accounting software for timely review and approval by the certificated personnel who initially recorded the attendance data within the system for Valley Prep K-5 and for Valley Prep Academy 9-12.

**Valley Prep K-5:** Based on inquiry and observation, no physical records of attendance have been generated from the accounting software for timely review and approval by the certificated personnel who initially recorded the attendance data within the system. Additionally, the following errors were found:

- In our review of five (5) students selected from the tardy log, we noted two (2) exceptions whereas students were determined tardy but were marked in the attendance system for a full day absence. ADA was understated on the P-2 report by 0.02.
- We were unable to verify accurate attendance for another student as attendance history was not accessible by site personnel via the attendance system and teacher weekly rosters did not include the student. Because this student was not verifiable, amount due to charter is undeterminable.

**Valley Prep 6-8:** The following errors were found:

- From our review of five (5) teacher rosters, we noted three (3) did not have teacher signatures, and two (2) were signed but not dated.
- There were discrepancies between the teacher signed rosters as compared to the system attendance register or other errors as noted for two (2) of the five (5) rosters.
  - A roster tested noted a student as present but was marked absent in the system on October 16, 2014. Another student was marked absent on the roster but marked present in the system on that same day. Net effect on ADA is zero.
  - Another roster tested listed two students that were not noted in the attendance system for this teacher. Additionally, attendance did not appear to be taken by the teacher on October 23 and 24, 2015.
- In our review of ten (10) students selected from the tardy log, we noted one (1) exception. A student arrived late but was marked in the attendance system for a full day absence on October 10, 2014. ADA was understated on the P-2 by 0.01 ADA.

**Valley Prep Academy 9-12:** Based on inquiry and observation, no physical records of attendance have been generated from the accounting software for timely review and approval by the certificated personnel who initially recorded the attendance data within the system. Additionally, the following errors were found: In our review of twenty (20) absence notes, we noted exceptions with sixteen (16) involving source documents not matching with student records in the attendance system. In most cases, students were marked present in one to two non-consecutive class periods although absent notes were available to support the students full day absence. Based on inquiry, teachers have not been taking accurate attendance and error reports indicating one present and/or all present were not generated until roughly February or March 2015. This was for a total of 0.12 ADA overstated on the P-2 report.

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINDING 2015-3: ATTENDANCE FROM CLASSROOM BASED INSTRUCTION (10000) (continued)**

**Effect:** The Charter is not in compliance with State requirements regarding attendance reporting and record retention. Errors and anomalies in system information could go unnoticed without timely review of submitted data. ADA for Grades 4-6 was understated by.

**Cause:** Records to support contemporaneous origination data of student attendance are maintained electronically and not reviewed after initial submission within the attendance accounting system.

**Questioned Costs:** Total net dollar effect of \$832, calculated by charter school as follows:

**Valley Prep K-5:** The Charter's base grant ADA rate for Grades 4-6 is \$7,116; therefore, the understatement of 0.02 ADA equals an amount due to the charter of approximately \$142

**Valley Prep 6 – 8:** The Charter's base grant ADA rate for Grades 4-6 is \$7,116; therefore, the understatement of 0.01 ADA equals an amount due to the charter of approximately \$71.

**Valley Prep Academy 9-12:** The Charter's base grant ADA rate for Grades 9-12 is \$8,712; therefore, the overstatement of 0.12 ADA equals an amount due from the charter of approximately \$1,045.

**Recommendation:** It is recommended that physical contemporaneous records be maintained. Pupil attendance records should include teachers signing and dating timely printouts of electronic attendance data previously entered into the attendance system we recommend that the P-2 attendance report be revised to indicate the correct ADA amount for Grades 4-6 for Valley Prep K-5. Additionally, procedures over revisions to system information should be established to include proper communication to personnel generating system information for attendance reporting purposes as well as prevent untimely edits to system information.

**Current Status:** Implemented.



ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINDING 2015-4: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA (LCFF) PUPIL COUNT (40000)**

**Criteria:** Students classified as Free or Reduced Priced Meal (FRPM) eligible and/or English Learners (EL), who are not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report, must have supporting documentation that indicates the student was eligible for this designation. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. In accordance with CCR §11511(1)(b), “the English language proficiency of all currently enrolled English learners shall be assessed by administering the test (CELDT) during the annual assessment window” with the “annual assessment window” beginning on July 1 and ending October 31 of each school year. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies*.

**Condition:** Based on review and testing of student designations from the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report for each charter, we noted the following:

**Cal Stem San Joaquin**

- One (1) of 4 students designated as *Free or Reduced Priced Meals* (FRPM) did not agree with the FRPM designation. Student *Family Income Verification Form* was incomplete and we were unable to verify designation.
- Three (3) of 3 students tested, designated as EL (English Learner) and non-FRPM, did not have CELDT scores, Home Language Survey or other supporting documentation to support classification of EL status.

**Del Mar Elementary School**

- Exception noted for one (1) of 6 students designated as FRPM. Family Income Verification Form or other form of supporting documentation was not provided to verify student FRPM status.

**El Cajon Middle & High School**

- Exceptions were noted for five (5) of 18 students designated as FRPM. One (1) of 5 students did not have an income verification form or other documentation available to support the FRPM status. Three (3) of 5 income verification forms were incomplete; we were unable to determine FRPM status. Based on review of income verification form, one (1) of 5 students should have been paid status.
- Based on review of CELDT exam, one (1) of 3 students classified as EL and non-FRPM should have been reclassified.

**Fresno**

- One (1) of 6 students designated as FRPM did not have an income verification form or other support to verify FRPM status.
- CELDT exam, Home Language Survey or other support was not provided for one (1) of 3 students classified as EL and non- FRPM.

**Los Angeles K-8**

- Exception was noted for one (1) of 7 students designated as FRPM. Family Income form was incomplete; therefore, we were unable to verify FRPM status.
- CELDT exam, Home Language Survey or other support was not provided for one (1) of 3 students classified as EL and non- FRPM.

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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FINDING 2015-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)

**Condition (continued):**

**Los Angeles 9-12**

- Exception noted for one (1) of 6 students designated as FRPM. Family Income Verification Form or other form of supporting documentation was not provided to verify student FRPM status.
- CELDT exam, Home Language Survey or other support was not provided for one (1) of 1 student classified as EL and non- FRPM.

**San Joaquin**

- Two (2) of 5 students selected from the *CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List*, designated as FRPM tested with exceptions. Based on review of income verification form, one (1) of 2 students designated at FRMP should have been paid status. One (1) of 2 students did not have an income verification form available to support their status.
- Based on review of Home Language Survey, one (1) of 2 students classified as EL and non-FRPM should have been reclassified.

**Sonoma**

- Exceptions noted for two (2) of 3 students classified as EL and non- FRPM. One (1) of 2 students did not have a Home Language Survey or other documentation available to support status. Based on review of one (1) of 2 Home Language Surveys, student should be reclassified.

**Thousand Oaks & Simi Valley**

- Four (4) of 10 students classified as FRPM tested with exceptions. Income verification forms were incomplete and we were unable to verify student designation.
- One (1) of 2 students classified as English Learner (EL) and FRPM did not have CEDLT scores, income verification form, or other documentation available to support their status.

**Valley Prep K-5**

- Two (2) of 6 students classified as FRPM tested with exceptions. Income verification forms were incomplete and we were unable to verify student designation.
- Based on review of income verification forms, two (2) of 4 students classified as English Learner (EL) and FRPM tested with exceptions. Income verification forms were incomplete and we were unable to determine student designation.

**Valley Prep 6-8**

- One (1) of 3 students selected from the *CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List*, designated as FRPM tested with an exception. Based on review of income verification form students should have been paid status.

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINDING 2015-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)**

**Condition (continued):**

**Valley Prep Academy 9-12**

- Eight (8) of 10 students selected from the *CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List*, designated as FRPM tested with exceptions. Based on review of income verification form students should have been paid status.
- Based on review of income verification form, one (1) of 1 student with EL and FRPM designation did not agree with FRPM status. Income verification form was incomplete and we were unable to determine designation.

**Effect:** The Charter is not in compliance with State requirements. Errors in the Unduplicated Pupil Count per charter school were extrapolated by finding the percentage of error and multiplying by the number of students in each designation (FRPM, EL, or FRPM and EL). Errors per charter are as follows: 10 of 20 for Cal Stem San Joaquin, 8 of 48 for Del Mar Elementary, 33 of 116 for El Cajon Middle and High, 5 of 26 for Fresno, 10 of 68 for Los Angeles K-8, 7 of 26 for Los Angeles 9-12, 22 of 54 for San Joaquin, 3 of 5 for Sonoma, 40 of 99 for Thousand Oaks and Simi Valley, 17 of 44 for Valley Prep K-5, 2 of 13 for Valley Prep 6-8, and 9 of 11 for Valley Prep 9-12.

**Cause:** Documentation for FRPM and/or EL designations did not support the Unduplicated Pupil Count per charter school resulting in inaccuracies and support for designations were not retained by the charter school.

**Questioned Costs:** \$77,113. Refer to 2015-16 audit report with original and full calculations for questioned cost.

- |   |   |
|---|---|
| • Cal Stem San Joaquin – \$3,415                | • Valley Prep 6-8 – \$3,226             |
| • AAS: San Joaquin – \$9,149                    | • Valley Prep High – \$2,230            |
| • AAS: Sonoma – \$1,021                         | • Los Angeles K-8 – \$2,665             |
| • AAS: Fresno – \$2,023                         | • Los Angeles 9-12 – \$2,081            |
| • AAS: Thousand Oaks and Simi Valley – \$18,327 | • AAS: Del Mar Elementary – \$2,529     |
| • Valley Prep K-5 – \$22,116                    | • AAS: El Cajon Middle & High – \$8,331 |

**Recommendation:** We recommend that all household income documentation and documentation to support EL status be reviewed and obtained for accurate CALPADS reporting.

**Current Status:** Not implemented. See Finding 2016-4.