

YPI CHARTER SCHOOLS, INC.

**(A California Non-Profit
Public Benefit Corporation)**

Operating:

**Bert Corona Charter School
Monsenor Oscar Romero Charter School
YPI Valley Public Charter High School**

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2015**



YPI CHARTER SCHOOLS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
YPI Charter Schools, Inc.
Pacoima, CA

Report on the Financial Statements

We have audited the accompanying financial statements of YPI Charter Schools, Inc. (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses 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 audit opinion.

Board of Directors
YPI Charter Schools, Inc.

Opinion

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying supplementary schedules are presented for purposes of additional analysis and are 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 a report dated November 30, 2015 on our consideration of the School'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 30, 2015

YPI CHARTER SCHOOLS, INC.

 STATEMENT OF FINANCIAL POSITION
 June 30, 2015

| | <u>Bert Corona Charter School</u> | <u>Monsenor Oscar Romero Charter School</u> | <u>YPI Valey Public Charter High School</u> | <u>Central Administration</u> | <u>Consolidated Total</u> |
|--|---------------------------------------|---|---|-----------------------------------|-------------------------------|
| <u>ASSETS</u> | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | \$ 1,210,056 | \$ 495,616 | \$ 204,311 | \$ 11,004 | \$ 1,920,987 |
| Accounts receivable - federal and state | 867,184 | 385,391 | - | - | 1,252,575 |
| Accounts receivable - other | - | 51,333 | - | - | 51,333 |
| Prepaid expenses and other assets | 42,570 | 28,503 | - | 17,615 | 88,688 |
| Total current assets | <u>2,119,810</u> | <u>960,843</u> | <u>204,311</u> | <u>28,619</u> | <u>3,313,583</u> |
| LONG-TERM ASSETS: | | | | | |
| Property, plant and equipment, net | 652,690 | 1,460,177 | 1,301 | - | 2,114,168 |
| Other long-term assets | - | - | - | 10,000 | 10,000 |
| Total long-term assets | <u>652,690</u> | <u>1,460,177</u> | <u>1,301</u> | <u>10,000</u> | <u>2,124,168</u> |
| Total assets | <u>\$ 2,772,500</u> | <u>\$ 2,421,020</u> | <u>\$ 205,612</u> | <u>\$ 38,619</u> | <u>\$ 5,437,751</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable and accrued liabilities | \$ 550,695 | \$ 198,995 | \$ 17,094 | \$ 38,619 | \$ 805,403 |
| Deferred revenue | 54,784 | 54,444 | 201,503 | - | 310,731 |
| Amount held for others | 12,246 | 17,822 | - | - | 30,068 |
| Capital lease, current portion | 6,400 | - | - | - | 6,400 |
| Total current liabilities | <u>624,125</u> | <u>271,261</u> | <u>218,597</u> | <u>38,619</u> | <u>1,152,602</u> |
| LONG-TERM LIABILITIES: | | | | | |
| Loan payable | - | 704,139 | - | - | 704,139 |
| Total long-term liabilities | <u>-</u> | <u>704,139</u> | <u>-</u> | <u>-</u> | <u>704,139</u> |
| NET ASSETS: | | | | | |
| Unrestricted | <u>2,148,375</u> | <u>1,445,620</u> | <u>(12,985)</u> | <u>-</u> | <u>3,581,010</u> |
| Total net assets | <u>2,148,375</u> | <u>1,445,620</u> | <u>(12,985)</u> | <u>-</u> | <u>3,581,010</u> |
| Total liabilities and net assets | <u>\$ 2,772,500</u> | <u>\$ 2,421,020</u> | <u>\$ 205,612</u> | <u>\$ 38,619</u> | <u>\$ 5,437,751</u> |

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

YPI CHARTER SCHOOLS, INC.
**STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2015**

| | Bert Corona Charter School | Monseñor Oscar Romero Charter School | YPI Valley Public Charter High School | Central Administration | Eliminations | Consolidated Total |
|-----------------------------------|---------------------------------------|---|--|-----------------------------------|---------------------|-------------------------------|
| REVENUES: | | | | | | |
| State revenue: | | | | | | |
| State aid | \$ 2,075,193 | \$ 1,789,215 | \$ - | \$ - | \$ - | \$ 3,864,408 |
| Other state revenue | 671,143 | 598,223 | - | - | - | 1,269,366 |
| Federal revenue: | | | | | | |
| Grants and entitlements | 1,610,688 | 482,999 | 51,622 | - | - | 2,145,309 |
| Local revenue: | | | | | | |
| In-lieu property tax revenue | 590,078 | 496,194 | - | - | - | 1,086,272 |
| Contributions | 22,999 | 14,500 | - | - | - | 37,499 |
| Other revenue | 42,971 | 72,473 | - | 727,912 | (727,912) | 115,444 |
| Total revenues | <u>5,013,072</u> | <u>3,453,604</u> | <u>51,622</u> | <u>727,912</u> | <u>(727,912)</u> | <u>8,518,298</u> |
| EXPENSES: | | | | | | |
| Program services | 3,616,456 | 2,528,873 | 49,133 | - | - | 6,194,462 |
| Management and general | 1,111,588 | 682,083 | 15,474 | 727,912 | (727,912) | 1,809,145 |
| Total expenses | <u>4,728,044</u> | <u>3,210,956</u> | <u>64,607</u> | <u>727,912</u> | <u>(727,912)</u> | <u>8,003,607</u> |
| Change in unrestricted net assets | 285,028 | 242,648 | (12,985) | - | - | 514,691 |
| Beginning unrestricted net assets | <u>1,863,347</u> | <u>1,202,972</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,066,319</u> |
| Ending unrestricted net assets | <u>\$ 2,148,375</u> | <u>\$ 1,445,620</u> | <u>\$ (12,985)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,581,010</u> |

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

YPI CHARTER SCHOOLS, INC.
**STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2015**

| | Bert Corona Charter School | Monseñor Oscar Romero Charter School | YPI Valley Public Charter High School | Central Administration | Consolidated Total |
|--|---------------------------------------|---|--|-----------------------------------|-------------------------------|
| CASH FLOWS from OPERATING ACTIVITIES: | | | | | |
| Change in net assets | \$ 285,028 | \$ 242,648 | \$ (12,985) | \$ - | \$ 514,691 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | | | | |
| Depreciation | 140,225 | 17,546 | 22 | - | 157,793 |
| Change in operating assets: | | | | | |
| Accounts receivable - federal and state | (294,434) | 264,002 | - | - | (30,432) |
| Accounts receivable - other | 515 | 574,128 | - | - | 574,643 |
| Prepaid expenses and other assets | (32,496) | (18,588) | - | (14,404) | (65,488) |
| Other long-term assets | - | - | - | (10,000) | (10,000) |
| Change in operating liabilities: | | | | | |
| Accounts payable and accrued liabilities | 372,777 | (627,831) | 17,094 | (4,263) | (242,223) |
| Amounts held for others | 3,165 | (5,963) | - | - | (2,798) |
| Deferred revenue | (15,706) | - | 201,503 | - | 185,797 |
| Net cash flows from operating activities | <u>459,074</u> | <u>445,942</u> | <u>205,634</u> | <u>(28,667)</u> | <u>1,081,983</u> |
| CASH FLOWS from INVESTING ACTIVITIES: | | | | | |
| Purchases of property, plant and equipment | <u>(90,443)</u> | <u>(354,260)</u> | <u>(1,323)</u> | <u>-</u> | <u>(446,026)</u> |
| Net cash flows from investing activities | <u>(90,443)</u> | <u>(354,260)</u> | <u>(1,323)</u> | <u>-</u> | <u>(446,026)</u> |
| CASH FLOWS from FINANCING ACTIVITIES: | | | | | |
| Payments on capital lease | (12,193) | - | - | - | (12,193) |
| Proceeds from debt | <u>-</u> | <u>175,441</u> | <u>-</u> | <u>-</u> | <u>175,441</u> |
| Net cash flows from financing activities | <u>(12,193)</u> | <u>175,441</u> | <u>-</u> | <u>-</u> | <u>163,248</u> |
| Net change in cash and cash equivalents | 356,438 | 267,123 | 204,311 | (28,667) | 799,205 |
| Cash and cash equivalents at the beginning of the year | <u>853,618</u> | <u>228,493</u> | <u>-</u> | <u>39,671</u> | <u>1,121,782</u> |
| Cash and cash equivalents at the end of the year | <u>\$ 1,210,056</u> | <u>\$ 495,616</u> | <u>\$ 204,311</u> | <u>\$ 11,004</u> | <u>\$ 1,920,987</u> |

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

YPI CHARTER SCHOOLS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015**

| | Program | Management | |
|---------------------------------|---------------------|---------------------|-----------------------|
| | Services | and General | Total Expenses |
| Salaries and wages | \$ 2,057,699 | \$ 1,174,501 | \$ 3,232,200 |
| Pension expense | 119,403 | 64,845 | 184,248 |
| Other employee benefits | 371,623 | 196,935 | 568,558 |
| Payroll taxes | 73,004 | 45,556 | 118,560 |
| Management fees | 49,507 | - | 49,507 |
| Legal expenses | - | 14,276 | 14,276 |
| Accounting expenses | - | 162,050 | 162,050 |
| Other fees for services | 1,552,399 | 224 | 1,552,623 |
| Advertising and promotion | 12,854 | 3,007 | 15,861 |
| Office expenses | - | 70,529 | 70,529 |
| Occupancy | 450,229 | - | 450,229 |
| Conference and meeting expenses | 28,916 | 25,389 | 54,305 |
| Depreciation | 157,793 | - | 157,793 |
| Insurance expense | - | 44,574 | 44,574 |
| Instructional materials | 1,028,988 | - | 1,028,988 |
| Other expenses | 292,047 | 7,259 | 299,306 |
| | <u>\$ 6,194,462</u> | <u>\$ 1,809,145</u> | <u>\$ 8,003,607</u> |

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

YPI CHARTER SCHOOLS, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities – YPI Charter Schools, Inc. (the School) is a California non-profit public benefit corporation developed by the Youth Policy Institute (YPI). The School currently manages three charter schools: Bert Corona Charter School, Monsenor Oscar Romero Charter School, and YPI Valley Public Charter High School. All of these charter schools are funded principally through State of California public education monies received through the California Department of Education and the Los Angeles Unified School District (the District).

The School's vision is to equip urban students in grades 6-12 for academic success and active community participation. The majority of students come from predominantly Latino immigrant families with high poverty levels. The School seeks to close the achievement gap for these students by providing clear and high expectations for all students to achieve a personalized and supportive learning environment that recognizes students' accomplishments, family-school-community partnerships and service, and integrated technology in the classroom.

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

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

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

Functional Allocation of Expenses – Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Basis of Presentation – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

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

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

YPI CHARTER SCHOOLS, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

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

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The School capitalizes all expenditures for land, buildings and equipment in excess of \$1,000.

Compensated Absences – Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation.

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income Taxes – The School is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Evaluation of Subsequent Events – The School has evaluated subsequent events through November 30, 2015, the date these financial statements were available to be issued.

YPI CHARTER SCHOOLS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 2: CONCENTRATION OF CREDIT RISK

The School maintains its cash and cash equivalents at high-credit quality financial institutions. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.!

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$157,793 for the year ended June 30, 2015.

The components of property, plant and equipment as of June 30, 2015 are as follows:

| | Bert Corona Charter School | Monsenor Oscar Romero Charter School | YPI Valley Public Charter High School | Total |
|--------------------------------|---------------------------------------|---|--|---------------------|
| Building | \$ 1,148,788 | \$ 3,088 | \$ - | \$ 1,151,876 |
| Building improvements | 118,764 | - | - | 118,764 |
| Computer and equipment | 509,264 | 130,255 | 1,323 | 640,842 |
| Furniture | 16,787 | - | - | 16,787 |
| Subtotal | 1,793,603 | 133,343 | 1,323 | 1,928,269 |
| Less: accumulated depreciation | (1,213,714) | (81,445) | (22) | (1,295,181) |
| Work in progress | 72,801 | 1,408,279 | - | 1,481,080 |
| Total | <u>\$ 652,690</u> | <u>\$ 1,460,177</u> | <u>\$ 1,301</u> | <u>\$ 2,114,168</u> |

NOTE 4: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plans

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

YPI CHARTER SCHOOLS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2015**

NOTE 4: EMPLOYEE RETIREMENT

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. 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. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2014, total plan net assets are \$191 billion, the total actuarial present value of accumulated plan benefits is \$287 billion, contributions from all employers totaled \$2.3 billion, and the plan is 68.5% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members are required to contribute 8.15% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

The School's contributions to STRS for the past three years are as follows:

| Year Ended | Bert Corona Charter School | | Monsenor Oscar Romero Charter School | |
|------------------|-------------------------------|------------------------|---|------------------------|
| | Required Contribution | Percent Contributed | Required Contribution | Percent Contributed |
| June 30, 2013 | \$ 82,543 | 100% | \$ 75,327 | 100% |
| 2014 | \$ 85,189 | 100% | \$ 69,598 | 100% |
| 2015 | \$ 96,477 | 100% | \$ 87,771 | 100% |

YPI CHARTER SCHOOLS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 5: OPERATING LEASES

Monsenor Oscar Romero Charter School

The School has a co-location facility use agreement for Monsenor Oscar Romero Charter School with the Los Angeles Unified School District (the District) for property shared with Berendo Middle School. The total pro-rata share charge payments made for the 14/15 fiscal year was \$96,752.

Bert Corona Charter School

The School leases facilities under a sublease from YPI (a related party) until June 30, 2021 for Bert Corona Charter School. Rent expense for the year ended June 30, 2015 under this lease was \$102,300.

Future minimum lease payments are as follows:

| Year Ended <u>June 30,</u> | | |
|-------------------------------|----|-----------------------|
| 2016 | \$ | 102,000 |
| 2017 | | 108,000 |
| 2018 | | 108,000 |
| 2019 | | 114,000 |
| 2020 | | 114,000 |
| Thereafter | | <u>114,000</u> |
| Total | \$ | <u><u>660,000</u></u> |

NOTE 6: RELATED PARTY

The School has entered into several transactions with YPI (a related party). These transactions include YPI's sublease of its facilities to the School and the management services that YPI provides to the School. The School and YPI also have three common members of the board.

NOTE 7: CONTINGENCIES

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

YPI CHARTER SCHOOLS, INC.**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015****NOTE 8: COMMITMENTS****Prop 1D**

The School was awarded \$13,464,960 through Proposition 1D of which \$6,732,480 will be a grant and \$6,732,480 will be a long-term loan. Payments will commence on this loan approximately one year after occupancy of the project.

During the year ended June 30, 2012, YPI, a related party, received \$1,434,774 on behalf of Monsenor Oscar Romero Charter School for Proposition 1D funding. The School will request the funds from YPI as they are needed for Proposition 1D related expenditures. YPI will not function in this intermediary role with any subsequent funding for the project. The School has recorded debt related to this funding of \$704,139 and revenue of \$704,139. As of June 30, 2015, the School had incurred \$1,408,279 of Prop 1D expenses.

SUPPLEMENTARY INFORMATION

YPI CHARTER SCHOOLS, INC.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2015

YPI Charter Schools, Inc. (the School) was established on November 17, 2003 and is a California non-profit public benefit corporation. The School operates two sites: Bert Corona Charter School and Monsenor Oscar Romero Charter School, approved by the Los Angeles Unified School District as follows:

Bert Corona Charter School (charter number 0654) – established in April 2004.

Monsenor Oscar Romero Charter School (charter number 0931) – established in May 2007.

YPI Valley Public Charter High (charter number 1724) – established in 2015, began serving students in August 2015.

The Board of Directors and the Administrators as of the year ended June 30, 2015 were as follows:

BOARD OF DIRECTORS

| <u>Member</u> | <u>Office</u> | <u>Term Expires</u> |
|------------------|---------------|---------------------|
| Eugene Straub | President | February 2016 |
| Joe Lucente | Treasurer | February 2016 |
| Sandra Mendoza | Secretary | February 2016 |
| Isaias Martinez | Member | February 2016 |
| Alex Reza | Member | February 2016 |
| Carlos Vaquerano | Member | February 2016 |
| Mary Keipp | Member | February 2016 |

ADMINISTRATORS

| | |
|------------------|-------------------------|
| Yvette King-Berg | Executive Director |
| Ruben Dueñas | Chief Operating Officer |

YPI CHARTER SCHOOLS, INC.

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2015**

| | Instructional Minutes | | | Instructional Days | Status |
|--|-----------------------|---------|--------|-----------------------|---------------|
| | Requirement | Reduced | Actual | | |
| Bert Corona Charter | | | | | |
| School: | | | | | |
| Grade 6 | 54,000 | 52,457 | 68,651 | 179 | In compliance |
| Grade 7 | 54,000 | 52,457 | 65,681 | 179 | In compliance |
| Grade 8 | 54,000 | 52,457 | 65,681 | 179 | In compliance |
| Monsenor Oscar Romero Charter School: | | | | | |
| Grade 6 | 54,000 | 52,457 | 62,625 | 180 | In compliance |
| Grade 7 | 54,000 | 52,457 | 62,625 | 180 | In compliance |
| Grade 8 | 54,000 | 52,457 | 62,625 | 180 | In compliance |

See auditor's report and the notes to the supplementary information.

YPI CHARTER SCHOOLS, INC.

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2015**

| | <u>Second Period Report</u> | | <u>Annual Report</u> | |
|--|-----------------------------|----------------------|----------------------|----------------------|
| | <u>Classroom</u> | | <u>Classroom</u> | |
| | <u>Based</u> | <u>Total</u> | <u>Based</u> | <u>Total</u> |
| Bert Corona Charter School: | | | | |
| Grade 6 | 119.64 | 119.64 | 119.75 | 119.75 |
| Grades 7 through 8 | <u>239.12</u> | <u>239.12</u> | <u>239.25</u> | <u>239.25</u> |
| Subtotal | <u>358.76</u> | <u>358.76</u> | <u>359.00</u> | <u>359.00</u> |
| Monsenor Oscar Romero Charter School: | | | | |
| Grade 6 | 90.28 | 90.28 | 90.74 | 90.74 |
| Grades 7 through 8 | <u>211.40</u> | <u>211.40</u> | <u>210.95</u> | <u>210.95</u> |
| Subtotal | <u>301.68</u> | <u>301.68</u> | <u>301.69</u> | <u>301.69</u> |
| ADA Totals | <u><u>660.44</u></u> | <u><u>660.44</u></u> | <u><u>660.69</u></u> | <u><u>660.69</u></u> |

See auditor's report and the notes to the supplementary information.

YPI CHARTER SCHOOLS, INC.

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

There were no adjustments or reclassifications for the year ended June 30, 2015.

See auditor's report and the notes to the supplementary information.

YPI CHARTER SCHOOLS, INC.
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2015**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Bert Corona Charter School | Monseñor Oscar Romero Charter | YPI Valley Public Charter High School | Total Federal Expenditures |
|--|----------------------------|---|-----------------------------------|--------------------------------------|--|-----------------------------------|
| <i>U.S. Department of Education:</i> | | | | | | |
| Pass Through Program From | | | | | | |
| California Department of Education: | | | | | | |
| No Child Left Behind Act | | | | | | |
| Title I, Part A | 84.010 | 14981 | \$ 131,919 | \$ 148,303 | \$ - | \$ 280,222 |
| Title II, Part A, Teacher Quality | 84.367 | 14341 | 2,073 | 2,146 | - | 4,219 |
| Title III Limited English Proficient Student Program | 84.365 | 14346 | 7,476 | 10,587 | - | 18,063 |
| Title V, PCSGP | 84.242 | 14941 | - | - | 51,622 | 51,622 |
| San Fernando Valley Full Service Community Schools Program | 84.215J | N/A | 540,624 | - | - | 540,624 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334A | N/A | 540,499 | - | - | 540,499 |
| School Climate Transformation Grant | 84.184G | N/A | 27,858 | - | - | 27,858 |
| Special Education | 84.027 | 13379 | 68,265 | 57,404 | - | 125,669 |
| <i>Total U.S Department of Education</i> | | | <u>1,318,714</u> | <u>218,440</u> | <u>51,622</u> | <u>1,588,776</u> |
| <i>U.S. Department of Agriculture:</i> | | | | | | |
| Pass Through Program From | | | | | | |
| California Department of Education: | | | | | | |
| Child Nutrition Program Cluster: | | | | | | |
| Especially Needy Breakfast Program | 10.553 | 13526 | 108,183 | 102,227 | - | 210,410 |
| National School Lunch Program | 10.555 | 23165 | 161,322 | 150,982 | - | 312,304 |
| Meal Supplements | 10.557 | N/A | 22,469 | 11,350 | - | 33,819 |
| <i>Total U.S Department of Agriculture</i> | | | <u>291,974</u> | <u>264,559</u> | <u>-</u> | <u>556,533</u> |
| Total Federal Expenditures | | | <u>\$ 1,610,688</u> | <u>\$ 482,999</u> | <u>\$ 51,622</u> | <u>\$ 2,145,309</u> |

N/A - Pass-through entity number not readily available or not applicable.

See auditor's report and the notes to the supplementary information.

YPI CHARTER SCHOOLS, INC.**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015****NOTE 1: PURPOSE OF SCHEDULES****Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the corresponding provisions of the Education Code.

Schedule of Average Daily Attendance

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

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the accrual basis of accounting.



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

Board of Directors
YPI Charter Schools, Inc.
Pacoima, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of YPI Charter Schools, Inc. (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 30, 2015



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

Board of Directors
YPI Charter Schools, Inc.
Pacoima, CA

Report on Compliance for Each Major Federal Program

We have audited the compliance of YPI Charter Schools, Inc. (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

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

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

Purpose of this Report

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

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 30, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
YPI Charter Schools, Inc.
Pacoima, CA

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

Management's Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School's compliance.

Compliance Requirements Tested

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

| <u>Description</u> | <u>Procedures Performed</u> |
|---|-----------------------------|
| School Districts, County Offices of Education, and Charter Schools: | |
| California Clean Energy Jobs Act | No ¹ |
| After School Education and Safety Program | Yes |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Common Core Implementation Funds | Yes |

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

| <u>Description</u> | <u>Procedures Performed</u> |
|---|---------------------------------|
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Charter Schools: | |
| Attendance | Yes |
| Mode of Instruction | Yes |
| Nonclassroom-based instructional/independent study | Not applicable |
| Determination of funding for nonclassroom-based instruction | Not applicable |
| Annual instructional minutes – classroom based | Yes |
| Charter School Facility Grant Program | Yes |

¹The School had no expenditures of California Clean Energy Jobs Act funding during the year ended June 30, 2015.

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

Purpose of this Report

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

VICENTI, LLOYD & STUTZMAN LLP
 Glendora, CA
 November 30, 2015

YPI CHARTER SCHOOLS, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

| | |
|--|----------------------|
| Type of auditor's report issued: | <i>Unmodified</i> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | <i>No</i> |
| Significant deficiencies identified that are not considered to be material weakness(es)? | <i>None Reported</i> |
| Noncompliance material to financial statements noted? | <i>No</i> |

Federal Awards

| | |
|--|----------------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | <i>No</i> |
| Significant deficiencies identified that are not considered to be material weakness(es)? | <i>None Reported</i> |
| Type of auditor's report issued on compliance for major programs: | <i>Unmodified</i> |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)? | <i>No</i> |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------------|--|
| 84.334A | Gaining Early Awareness and Readiness for Undergraduate Programs |
| 10.555, 10.553 & 10.557 | Child Nutrition Cluster |

| | |
|--|------------|
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee? | <i>Yes</i> |

YPI CHARTER SCHOOLS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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

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

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for June 30, 2015.

YPI CHARTER SCHOOLS, INC.

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.