

**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, 2016**



# YPI CHARTER SCHOOLS, INC.

## TABLE OF CONTENTS

### June 30, 2016

Independent Auditor’s Report.....	1
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Cash Flows .....	5
Statement of Functional Expenses .....	6
Notes to the Financial Statements.....	7
Local Education Agency Organization Structure .....	13
Schedule of Instructional Time.....	14
Schedule of Average Daily Attendance.....	15
Reconciliation of Annual Financial Report with Audited Financial Statements.....	16
Schedule of Expenditures of Federal Awards.....	17
Notes to the Supplementary Information.....	18
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 <i>Government Auditing Standards</i> .....	19
Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	21
Independent Auditor’s Report on State Compliance .....	23
Schedule of Findings and Questioned Costs.....	25
Status of Prior Year Findings and Questioned Costs.....	27

## 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, 2016, 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, 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 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 December 2, 2016 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  
December 2, 2016

## YPI CHARTER SCHOOLS, INC.

### STATEMENT OF FINANCIAL POSITION June 30, 2016

	<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>Eliminations</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 1,366,955	\$ 873,810	\$ 70,647	\$ -	\$ -	\$ 2,311,412
Accounts receivable - federal and state	816,917	432,307	317,267	-	-	1,566,491
Accounts receivable - other	-	16,422	-	144	-	16,566
Intercompany receivable	2,773	-	-	-	(2,773)	-
Prepaid expenses and other assets	42,469	28,610	19,000	9,951	-	100,030
Total current assets	<u>2,229,114</u>	<u>1,351,149</u>	<u>406,914</u>	<u>10,095</u>	<u>(2,773)</u>	<u>3,994,499</u>
<b>LONG-TERM ASSETS:</b>						
Property, plant and equipment, net	734,336	1,489,468	67,904	24,765	-	2,316,473
Other long-term assets	-	-	-	5,500	-	5,500
Total long-term assets	<u>734,336</u>	<u>1,489,468</u>	<u>67,904</u>	<u>30,265</u>	<u>-</u>	<u>2,321,973</u>
Total assets	<u>\$ 2,963,450</u>	<u>\$ 2,840,617</u>	<u>\$ 474,818</u>	<u>\$ 40,360</u>	<u>\$ (2,773)</u>	<u>\$ 6,316,472</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued liabilities	\$ 203,387	\$ 150,444	\$ 122,808	\$ 37,587	\$ -	\$ 514,226
Intercompany payable	-	-	-	2,773	(2,773)	-
Deferred revenue	-	60,327	-	-	-	60,327
Amount held for others	26,649	19,078	-	-	-	45,727
Capital lease, current portion	1,844	-	-	-	-	1,844
Revolving loan payable, current portion	-	-	50,002	-	-	50,002
Total current liabilities	<u>231,880</u>	<u>229,849</u>	<u>172,810</u>	<u>40,360</u>	<u>(2,773)</u>	<u>672,126</u>
<b>LONG-TERM LIABILITIES:</b>						
Revolving loan payable	-	-	150,000	-	-	150,000
Loan payable	-	712,996	-	-	-	712,996
Total long-term liabilities	<u>-</u>	<u>712,996</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>862,996</u>
<b>NET ASSETS:</b>						
Unrestricted	2,714,339	1,888,974	152,008	-	-	4,755,321
Temporarily restricted	17,231	8,798	-	-	-	26,029
Total net assets	<u>2,731,570</u>	<u>1,897,772</u>	<u>152,008</u>	<u>-</u>	<u>-</u>	<u>4,781,350</u>
Total liabilities and net assets	<u>\$ 2,963,450</u>	<u>\$ 2,840,617</u>	<u>\$ 474,818</u>	<u>\$ 40,360</u>	<u>\$ (2,773)</u>	<u>\$ 6,316,472</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, 2016**

	<u>Bert Corona Charter School</u>	<u>Monsenor Oscar Romero Charter School</u>	<u>YPI Valley Public Charter High School</u>	<u>Central Administration</u>	<u>Eliminations</u>	<u>Total</u>
<b>UNRESTRICTED</b>						
<b>REVENUES:</b>						
State revenue:						
State aid	\$ 2,421,311	\$ 2,232,155	\$ 552,855	\$ -	\$ -	\$ 5,206,321
Other state revenue	1,100,678	592,824	52,387	-	-	1,745,889
Federal revenue:						
Grants and entitlements	3,486,840	519,686	572,345	-	-	4,578,871
Local revenue:						
In-lieu property tax revenue	700,282	631,981	123,893	-	-	1,456,156
Contributions	29,828	9,585	253,098	-	-	292,511
Interest income	309	10	-	-	-	319
Other revenue	52,130	15,901	7,061	936,935	(936,935)	75,092
Total revenues	<u>7,791,378</u>	<u>4,002,142</u>	<u>1,561,639</u>	<u>936,935</u>	<u>(936,935)</u>	<u>13,355,159</u>
Net assets released from restriction	9,900	13,200	-	-	-	26,710,318
Total unrestricted revenues and net assets released from restriction	<u>7,801,278</u>	<u>4,015,342</u>	<u>1,561,639</u>	<u>936,935</u>	<u>(936,935)</u>	<u>40,065,477</u>
<b>EXPENSES:</b>						
Program services	5,957,218	2,747,366	1,104,877	-	-	9,809,461
Management and general	1,278,096	824,622	291,769	936,935	(936,935)	2,394,487
Total expenses	<u>7,235,314</u>	<u>3,571,988</u>	<u>1,396,646</u>	<u>936,935</u>	<u>(936,935)</u>	<u>12,203,948</u>
Change in unrestricted net assets	<u>565,964</u>	<u>443,354</u>	<u>164,993</u>	<u>-</u>	<u>-</u>	<u>1,151,211</u>
<b>TEMPORARILY RESTRICTED</b>						
Other state revenue	27,131	21,998	-	-	-	49,129
Net assets released from restriction	(9,900)	(13,200)	-	-	-	(23,100)
Change in temporarily restricted net assets	<u>17,231</u>	<u>8,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,129</u>
Total change in net assets	583,195	452,152	164,993	-	-	1,200,340
Beginning 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>
Ending net assets	<u>\$ 2,731,570</u>	<u>\$ 1,897,772</u>	<u>\$ 152,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,781,350</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, 2016**

	<b>Bert Corona</b>	<b>Monsenor</b>	<b>YPI Valley</b>	<b>Central</b>	<b>Eliminations</b>	<b>Total</b>
	<b>Charter School</b>	<b>Oscar Romero</b>	<b>Public Charter</b>	<b>Administration</b>		
	<b>Charter School</b>	<b>Charter School</b>	<b>High School</b>			<b>Total</b>
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>						
Total change in net assets	\$ 583,195	\$ 452,152	\$ 164,993	\$ -	\$ -	\$ 1,200,340
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation	159,595	19,877	13,815	3,271	-	196,558
Change in operating assets:						
Accounts receivable - federal and state	50,267	(46,916)	(317,267)	-	-	(313,916)
Accounts receivable - other	-	34,911	-	(144)	-	34,767
Intercompany receivable	(2,773)	-	-	-	2,773	-
Prepaid expenses and other assets	101	(107)	(19,000)	7,664	-	(11,342)
Other long-term assets	-	-	-	4,500	-	4,500
Change in operating liabilities:						
Accounts payable and accrued liabilities	(347,308)	(48,551)	105,714	(1,032)	-	(291,177)
Intracompany payable	-	-	-	2,773	(2,773)	-
Amounts held for others	14,403	1,256	-	-	-	15,659
Deferred revenue	(54,784)	5,883	(201,503)	-	-	(250,404)
Net cash flows from operating activities	<u>402,696</u>	<u>418,505</u>	<u>(253,248)</u>	<u>17,032</u>	<u>-</u>	<u>584,985</u>
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>						
Purchases of property, plant and equipment	(241,241)	(49,168)	(80,418)	(28,036)	-	(398,863)
Net cash flows from investing activities	<u>(241,241)</u>	<u>(49,168)</u>	<u>(80,418)</u>	<u>(28,036)</u>	<u>-</u>	<u>(398,863)</u>
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>						
Payments on capital lease	(4,556)	-	-	-	-	(4,556)
Proceeds from debt	-	8,857	250,000	-	-	258,857
Repayments of debt	-	-	(49,998)	-	-	(49,998)
Net cash flows from financing activities	<u>(4,556)</u>	<u>8,857</u>	<u>200,002</u>	<u>-</u>	<u>-</u>	<u>204,303</u>
Net change in cash and cash equivalents	156,899	378,194	(133,664)	(11,004)	-	390,425
Cash and cash equivalents at the beginning of the year	<u>1,210,056</u>	<u>495,616</u>	<u>204,311</u>	<u>11,004</u>	<u>-</u>	<u>1,920,987</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,366,955</u>	<u>\$ 873,810</u>	<u>\$ 70,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,311,412</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>						
Cash paid for interest during the year	<u>\$ 4,004</u>	<u>\$ -</u>	<u>\$ 512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,516</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, 2016**

	<b>Program</b>	<b>Management</b>	
	<b>Services</b>	<b>and General</b>	<b>Total Expenses</b>
Salaries and wages	\$ 2,637,506	\$ 1,490,012	\$ 4,127,518
Pension expense	181,366	98,224	279,590
Other employee benefits	444,452	257,058	701,510
Payroll taxes	153,017	83,029	236,046
Management fees	66,624	-	66,624
Legal expenses	-	10,466	10,466
Accounting expenses	-	213,968	213,968
Other fees for services	3,102,615	-	3,102,615
Advertising and promotion	17,334	9,888	27,222
Office expenses	-	132,303	132,303
Occupancy	625,946	10,824	636,770
Conference and meeting expenses	113,719	20,406	134,125
Interest	-	4,516	4,516
Depreciation	193,287	3,271	196,558
Insurance expense	-	49,044	49,044
Instructional materials	1,861,593	1,255	1,862,848
Other expenses	412,002	10,223	422,225
	<u>\$ 9,809,461</u>	<u>\$ 2,394,487</u>	<u>\$ 12,203,948</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, 2016**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 has \$26,029 of temporarily restricted net assets as of June 30, 2016.

## YPI CHARTER SCHOOLS, INC.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**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, 2016. 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 December 2, 2016, 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, 2016**
**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 \$196,558 for the year ended June 30, 2016.

The components of property, plant and equipment as of June 30, 2016 are as follows:

	<b>Bert Corona Charter School</b>	<b>Monsenor Oscar Romero Charter School</b>	<b>YPI Valley Public Charter High School</b>	<b>Central Administration</b>	<b>Total</b>
Building	\$ 1,146,088	\$ 3,088	\$ -	\$ 4,816	\$ 1,153,992
Building improvements	118,764	-	-	-	118,764
Computer and equipment	639,719	158,460	81,741	19,970	899,890
Furniture	16,787	-	-	-	16,787
Subtotal	1,921,358	161,548	81,741	24,786	2,189,433
Less: accumulated depreciation	(1,372,338)	(101,322)	(13,837)	(3,271)	(1,490,768)
Work in progress	185,316	1,429,242	-	3,250	1,617,808
Total	<u>\$ 734,336</u>	<u>\$ 1,489,468</u>	<u>\$ 67,904</u>	<u>\$ 24,765</u>	<u>\$ 2,316,473</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, 2016**
**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, 2015, total STRS plan net assets are \$181 billion, the total actuarial present value of accumulated plan benefits is \$242 billion, contributions from all employers totaled \$2.55 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](http://www.calstrs.com).

**Funding Policy**

Active plan members hired before December 31, 2012 are required to contribute 9.20% of their salary and those hired after are required to contribute 8.56% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2016 was 10.73% 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	<b>Bert Corona</b>		<b>Monsenor Oscar Romero</b>		<b>YPI Valley Public</b>	
	<b>Charter School</b>		<b>Charter School</b>		<b>Charter High School</b>	
June 30,	Required	Percent	Required	Percent	Required	Percent
	<u>Contribution</u>	<u>Contributed</u>	<u>Contribution</u>	<u>Contributed</u>	<u>Contribution</u>	<u>Contributed</u>
2014	\$ 85,189	100%	\$ 69,598	100%	N/A	100%
2015	\$ 96,477	100%	\$ 87,771	100%	N/A	100%
2016	\$ 137,541	100%	\$ 103,377	100%	\$ 38,672	100%

**YPI CHARTER SCHOOLS, INC.**
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**
**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 15/16 fiscal year was \$108,003.

**YPI Valley Public Charter High School**

The School has a co-location facility use agreement for YPI Valley Public Charter High School with the Los Angeles Unified School District (the District). The total pro-rata share charge payments made for the 15/16 fiscal year was \$49,930.

**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, 2016 under this lease was \$104,683.

Future minimum lease payments are as follows:

Year Ended <u>June 30,</u>	
2017	\$ 108,000
2018	108,000
2019	114,000
2020	114,000
2021	<u>114,000</u>
Total	<u>\$ 558,000</u>

**NOTE 6: LINE OF CREDIT**

The School has a revolving line of credit with Pacific Western Bank. The line of credit has a principal of \$500,000 with a variable interest rate currently set at 5.75% annually. The line of credit matures in April 2017. There was no outstanding balance as of June 30, 2016.

**NOTE 7: 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 various program services that YPI provides to the School including federal grant management and after school program services. During the year ended June 30, 2016 the School paid YPI \$104,683 for rent and \$2,540,119 for other program services. As of

**YPI CHARTER SCHOOLS, INC.****NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016****NOTE 7: RELATED PARTY**

June 30, 2016 YPI owes the School \$16,422 related to Prop 1D (see Note 9). As of November 10, 2014, the School and YPI have had no common board members.

**NOTE 8: 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.

**NOTE 9: 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 \$712,996 and revenue of \$712,996. As of June 30, 2015, the School had incurred \$1,425,992 of Prop 1D expenses.

## **SUPPLEMENTARY INFORMATION**

## YPI CHARTER SCHOOLS, INC.

### LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2016

YPI Charter Schools, Inc. (the School) was established on November 17, 2003 and is a California non-profit public benefit corporation. The School operates three sites: Bert Corona Charter School, Monsenor Oscar Romero Charter School and YPI Valley Public Charter High, 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

The Board of Directors and the Administrators as of the year ended June 30, 2016 were as follows:

#### BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term (in years)</u>	<u>Term Expires</u>
Eugene Straub	President	2	June 2017
Joe Lucente	Treasurer	2	June 2017
Sandra Mendoza	Secretary	1	June 2017
Jonathan Williams	Member	1	June 2017
Alex Reza	Member	2	June 2017
Carlos Vaquerano	Member	1	June 2017
Mary Keipp	Member	2	June 2017

#### 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, 2016**

	<b>Instructional Minutes</b>		Instructional Days	Status
	Requirement	Actual		
<b>Bert Corona Charter School:</b>				
Grade 6	54,000	66,507	179	In compliance
Grade 7	54,000	66,507	179	In compliance
Grade 8	54,000	66,507	179	In compliance
<b>Monsenor Oscar Romero Charter School:</b>				
Grade 6	54,000	63,912	179	In compliance
Grade 7	54,000	63,912	179	In compliance
Grade 8	54,000	63,912	179	In compliance
<b>YPI Valley Public Charter High School:</b>				
Grade 9	64,800	65,113	179	In compliance
Grade 10	64,800	65,113	179	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, 2016**

	<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>
<b>Bert Corona Charter School:</b>				
Grade 6	131.71	131.71	132.02	132.02
Grades 7 through 8	230.83	230.83	229.59	229.59
Subtotal	<u>362.54</u>	<u>362.54</u>	<u>361.61</u>	<u>361.61</u>
<b>Monsenor Oscar Romero Charter School:</b>				
Grade 6	116.12	116.12	115.92	115.92
Grades 7 through 8	211.06	211.06	211.10	211.10
Subtotal	<u>327.18</u>	<u>327.18</u>	<u>327.02</u>	<u>327.02</u>
<b>YPI Valley Public Charter High School:</b>				
Grades 9-12	<u>64.14</u>	<u>64.14</u>	<u>65.21</u>	<u>65.21</u>
Subtotal	<u>64.14</u>	<u>64.14</u>	<u>65.21</u>	<u>65.21</u>
<b>ADA Totals</b>	<u><u>753.86</u></u>	<u><u>753.86</u></u>	<u><u>753.84</u></u>	<u><u>753.84</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, 2016**

There were no adjustments or reclassifications for the year ended June 30, 2016.

*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, 2016**

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
<b><i>U.S. Department of Education:</i></b>						
Pass Through Program From						
California Department of Education:						
No Child Left Behind Act						
Title I, Part A	84.010	14981	\$ 128,987	\$ 145,006	\$ 23,456	\$ 297,449
Title II, Part A, Teacher Quality	84.367	14341	1,961	1,812	349	4,122
Title III Limited English Proficient Student Program	84.365	14346	6,530	8,337	290	15,157
Title V, PCSGP	84.242	14941	-	-	492,930	492,930
San Fernando Valley Full Service Community Schools Program	84.215J	N/A	70,028	-	-	70,028
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	N/A	2,144,046	-	-	2,144,046
School Climate Transformation Grant	84.184G	N/A	784,616	-	-	784,616
Special Education	84.027	13379	68,868	62,151	12,184	143,203
<b><i>Total U.S Department of Education</i></b>			<b>3,205,036</b>	<b>217,306</b>	<b>529,209</b>	<b>3,951,551</b>
<b><i>U.S. Department of Agriculture:</i></b>						
Pass Through Program From						
California Department of Education:						
Child Nutrition Program Cluster:						
Especially Needy Breakfast Program	10.553	13526	88,851	112,302	11,438	212,591
National School Lunch Program	10.555	23165	167,142	170,070	29,739	366,951
Meal Supplements	10.557	N/A	18,444	13,858	1,959	34,261
<b><i>Total U.S Department of Agriculture</i></b>			<b>274,437</b>	<b>296,230</b>	<b>43,136</b>	<b>613,803</b>
<b><i>U.S. Department of Health and Human Services</i></b>						
Pass Through Program From						
California Department of Education:						
Medicaid	93.778	N/A	7,367	6,150	-	13,517
<b>Total Federal Expenditures</b>			<b>\$ 3,486,840</b>	<b>\$ 519,686</b>	<b>\$ 572,345</b>	<b>\$ 4,578,871</b>

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, 2016**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**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**Indirect Cost**

The School has elected to use a rate other than the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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, 2016, 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 December 2, 2016.

**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  
December 2, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

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) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

**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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 2, 2016

## 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 *2015-2016 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, 2016. 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 *2015-2016 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:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account 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
Independent Study-Course Based	Not applicable
Immunizations	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

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### 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, 2016.

### 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 *2015-2016 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  
 December 2, 2016

## YPI CHARTER SCHOOLS, INC.

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2016

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

##### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                           Yes          X   No

Significant deficiency(ies) identified?                   Yes          X   None Reported

Noncompliance material to financial statements noted?           Yes          X   No

##### Federal Awards

Internal control over major federal awards:

Material weakness(es) identified?                           Yes          X   No

Significant deficiency(ies) identified?                   Yes          X   None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       Yes          X   No

##### **Identification of Major Federal Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.184G	School Climate Transformation Grant
84.242	Title V, PCSGP

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X   Yes               No

**YPI CHARTER SCHOOLS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

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, 2016.

**YPI CHARTER SCHOOLS, INC.**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

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