

YPI CHARTER SCHOOLS, INC.

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

Operating:

**Bert Corona Charter School
Monsenor Oscar Romero Charter School
Bert Corona High School**

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2017**



YPI CHARTER SCHOOLS, INC.

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CliftonLarsonAllen LLP
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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, 2017, 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, 2017, 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 columns by location on the statement of financial position, activities and cash flows and 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 11, 2017 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 solely 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 effectiveness of the School's 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.

CliftonLarsonAllen LLP
Glendora, CA
December 11, 2017

YPI CHARTER SCHOOLS, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2017

	Bert Corona Charter School	Monsenor Oscar Romero Charter School	Bert Corona High School	Central Administration	Eliminations	Total
<u>ASSETS</u>						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 1,689,773	\$ 13,267,671	\$ 81,026	\$ 11,697	\$ -	\$ 15,050,167
Accounts receivable - federal and state	969,435	328,503	504,182	-	-	1,802,120
Accounts receivable - other	-	86	-	144	-	230
Intercompany receivable	222,665	-	-	-	(222,665)	-
Prepaid expenses and other assets	46,285	28,081	23,862	7,206	-	105,434
Total current assets	<u>2,928,158</u>	<u>13,624,341</u>	<u>609,070</u>	<u>19,047</u>	<u>(222,665)</u>	<u>16,957,951</u>
LONG-TERM ASSETS:						
Property, plant and equipment, net	633,048	6,400,377	77,383	24,557	-	7,135,365
Other long-term assets	500	-	-	9,766	-	10,266
Total long-term assets	<u>633,548</u>	<u>6,400,377</u>	<u>77,383</u>	<u>34,323</u>	<u>-</u>	<u>7,145,631</u>
Total assets	<u>\$ 3,561,706</u>	<u>\$ 20,024,718</u>	<u>\$ 686,453</u>	<u>\$ 53,370</u>	<u>\$ (222,665)</u>	<u>\$ 24,103,582</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Accounts payable and accrued liabilities	\$ 648,033	\$ 1,773,195	\$ 16,777	\$ 53,370	\$ -	\$ 2,491,375
Intercompany payable	-	-	222,665	-	(222,665)	-
Deferred revenue	-	9,355,525	-	-	-	9,355,525
Amount held for others	5,674	1,103,366	-	-	-	1,109,040
Revolving loan payable, current portion	-	-	50,000	-	-	50,000
Total current liabilities	<u>653,707</u>	<u>12,232,086</u>	<u>289,442</u>	<u>53,370</u>	<u>(222,665)</u>	<u>13,005,940</u>
LONG-TERM LIABILITIES:						
Revolving loan payable	-	-	100,004	-	-	100,004
Loan payable	-	3,171,088	-	-	-	3,171,088
Total long-term liabilities	<u>-</u>	<u>3,171,088</u>	<u>100,004</u>	<u>-</u>	<u>-</u>	<u>3,271,092</u>
NET ASSETS:						
Unrestricted	2,902,901	4,621,544	249,148	-	-	7,773,593
Temporarily restricted	5,098	-	47,859	-	-	52,957
Total net assets	<u>2,907,999</u>	<u>4,621,544</u>	<u>297,007</u>	<u>-</u>	<u>-</u>	<u>7,826,550</u>
Total liabilities and net assets	<u>\$ 3,561,706</u>	<u>\$ 20,024,718</u>	<u>\$ 686,453</u>	<u>\$ 53,370</u>	<u>\$ (222,665)</u>	<u>\$ 24,103,582</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, 2017**

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

YPI CHARTER SCHOOLS, INC.

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

	Monsenor					
	Bert Corona	Oscar Romero	Bert Corona	Central	Eliminations	Total
	Charter School	Charter School	High School	Administration		
UNRESTRICTED						
REVENUES:						
State revenue:						
State aid	\$ 2,538,434	\$ 2,352,254	\$ 1,289,766	\$ -	\$ -	\$ 6,180,454
Other state revenue	965,814	2,929,029	163,218	-	-	4,058,061
Federal revenue:						
Grants and entitlements	4,495,779	519,911	183,836	-	-	5,199,526
Local revenue:						
In-lieu property tax revenue	760,898	690,603	304,614	-	-	1,756,115
Contributions	28,348	12,000	15,615	-	-	55,963
Interest income	540	-	-	-	-	540
Other revenue	118,199	64,895	26,369	1,218,867	(1,218,867)	209,463
Total revenues	<u>8,908,012</u>	<u>6,568,692</u>	<u>1,983,418</u>	<u>1,218,867</u>	<u>(1,218,867)</u>	<u>17,460,122</u>
Net assets released from restriction	12,133	8,798	-	-	-	20,931
Total unrestricted revenues and net assets released from restriction	<u>8,920,145</u>	<u>6,577,490</u>	<u>1,983,418</u>	<u>1,218,867</u>	<u>(1,218,867)</u>	<u>17,481,053</u>
EXPENSES:						
Program services	7,266,494	2,901,793	1,295,677	-	-	11,463,964
Management and general	1,465,090	943,128	590,601	1,218,867	(1,218,867)	2,998,819
Total expenses	<u>8,731,584</u>	<u>3,844,921</u>	<u>1,886,278</u>	<u>1,218,867</u>	<u>(1,218,867)</u>	<u>14,462,783</u>
Change in unrestricted net assets	<u>188,561</u>	<u>2,732,569</u>	<u>97,140</u>	<u>-</u>	<u>-</u>	<u>3,018,270</u>
TEMPORARILY RESTRICTED						
Other state revenue	-	-	47,859	-	-	47,859
Net assets released from restriction	(12,133)	(8,798)	-	-	-	(20,931)
Change in temporarily restricted net assets	<u>(12,133)</u>	<u>(8,798)</u>	<u>47,859</u>	<u>-</u>	<u>-</u>	<u>47,859</u>
Total change in net assets	176,428	2,723,771	144,999	-	-	3,045,198
Beginning net assets	<u>2,731,571</u>	<u>1,897,773</u>	<u>152,008</u>	<u>-</u>	<u>-</u>	<u>4,781,352</u>
Ending net assets	<u>\$ 2,907,999</u>	<u>\$ 4,621,544</u>	<u>\$ 297,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,826,550</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, 2017**

	Monsenor					
	Bert Corona	Oscar Romero	Bert Corona	Central	Eliminations	Total
	Charter School	Charter School	High School	Administration		
CASH FLOWS from OPERATING ACTIVITIES:						
Total change in net assets	\$ 176,428	\$ 2,723,771	\$ 144,999	\$ -	\$ -	\$ 3,045,198
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation	203,870	24,755	21,982	6,578	-	257,185
Change in operating assets:						
Accounts receivable - federal and state	(152,518)	103,804	(186,915)	-	-	(235,629)
Accounts receivable - other	-	16,336	-	-	-	16,336
Intercompany receivable	(219,892)	-	-	-	219,892	-
Prepaid expenses and other assets	(3,816)	529	(4,862)	2,745	-	(5,404)
Other long-term assets	(500)	-	-	(4,266)	-	(4,766)
Change in operating liabilities:						
Accounts payable and accrued liabilities	444,647	1,622,751	(106,031)	15,783	-	1,977,150
Intracompany payable	-	-	222,665	(2,773)	(219,892)	-
Amounts held for others	(20,975)	1,084,288	-	-	-	1,063,313
Deferred revenue	-	9,295,199	-	-	-	9,295,199
Net cash flows from operating activities	<u>427,244</u>	<u>14,871,433</u>	<u>91,838</u>	<u>18,067</u>	<u>-</u>	<u>15,408,582</u>
CASH FLOWS from INVESTING ACTIVITIES:						
Purchases of property, plant and equipment	<u>(102,582)</u>	<u>(4,935,664)</u>	<u>(31,461)</u>	<u>(6,370)</u>	<u>-</u>	<u>(5,076,077)</u>
Net cash flows from investing activities	<u>(102,582)</u>	<u>(4,935,664)</u>	<u>(31,461)</u>	<u>(6,370)</u>	<u>-</u>	<u>(5,076,077)</u>
CASH FLOWS from FINANCING ACTIVITIES:						
Payments on capital lease	(1,844)	-	-	-	-	(1,844)
Proceeds from debt	-	2,458,092	-	-	-	2,458,092
Repayments of debt	-	-	(49,998)	-	-	(49,998)
Net cash flows from financing activities	<u>(1,844)</u>	<u>2,458,092</u>	<u>(49,998)</u>	<u>-</u>	<u>-</u>	<u>2,406,250</u>
Net change in cash and cash equivalents	322,818	12,393,861	10,379	11,697	-	12,738,755
Cash and cash equivalents at the beginning 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>
Cash and cash equivalents at the end of the year	<u>\$ 1,689,773</u>	<u>\$ 13,267,671</u>	<u>\$ 81,026</u>	<u>\$ 11,697</u>	<u>\$ -</u>	<u>\$ 15,050,167</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:						
Cash paid for interest during the year	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 569</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, 2017**

	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 3,000,037	\$ 1,737,095	\$ 4,737,132
Pension expense	271,990	140,005	411,995
Other employee benefits	634,463	352,992	987,455
Payroll taxes	94,983	64,403	159,386
Management fees	79,415	-	79,415
Legal expenses	-	20,698	20,698
Accounting expenses	-	249,520	249,520
Other fees for services	4,032,400	11,864	4,044,264
Advertising and promotion	5,360	1,233	6,593
Office expenses	-	252,379	252,379
Occupancy	889,610	62,505	952,115
Conference and meeting expenses	170,988	29,295	200,283
Interest	-	569	569
Depreciation	250,607	6,578	257,185
Insurance expense	-	60,811	60,811
Instructional materials	1,589,936	3,809	1,593,745
Other expenses	444,175	5,063	449,238
	<u>\$ 11,463,964</u>	<u>\$ 2,998,819</u>	<u>\$ 14,462,783</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, 2017**

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 \$52,957 of temporarily restricted net assets as of June 30, 2017.

YPI CHARTER SCHOOLS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

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, 2017. 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 11, 2017, 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, 2017**

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 \$257,185 for the year ended June 30, 2017.

The components of property, plant and equipment as of June 30, 2017 are as follows:

	Bert Corona Charter School	Monsenor Oscar Romero Charter School	YPI Valley Public Charter High School	Central Administration	Total
Building	\$ 1,425,503	\$ 3,088	\$ -	\$ 6,686	\$ 1,435,277
Building improvements	118,764	-	-	-	118,764
Computer and equipment	648,219	177,940	113,202	27,720	967,081
Furniture	16,787	-	-	-	16,787
Subtotal	2,209,273	181,028	113,202	34,406	2,537,909
Less: accumulated depreciation	(1,576,225)	(126,076)	(35,819)	(9,849)	(1,747,969)
Work in progress	-	6,345,425	-	-	6,345,425
Total	<u>\$ 633,048</u>	<u>\$ 6,400,377</u>	<u>\$ 77,383</u>	<u>\$ 24,557</u>	<u>\$ 7,135,365</u>

NOTE 4: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plans

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

The risks of participating in this multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer 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 detailed in Teachers' Retirement Law, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multiemployer plan.

YPI CHARTER SCHOOLS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 4: EMPLOYEE RETIREMENT

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS.

The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2016, total plan net assets are \$189 billion, the total actuarial present value of accumulated plan benefits is \$333 billion, contributions from all employers totaled \$3.4 billion, and the plan is 63.7% funded. The School did not contribute more than 5% of the total contributions to the plan.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% 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 the year ended June 30, 2017 was 12.58% 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	<u>Bert Corona Charter School</u>		<u>Monseñor Oscar Romero Charter School</u>		<u>YPI Valley Public Charter High School</u>	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
June 30, 2015	\$ 96,477	100%	\$ 87,771	100%	N/A	100%
2016	\$ 137,541	100%	\$ 103,377	100%	\$ 38,672	100%
2017	\$ 184,567	100%	\$ 137,757	100%	\$ 89,671	100%

YPI CHARTER SCHOOLS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

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 year ended June 30, 2017 was \$138,539.

Bert Corona 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 year ended June 30, 2017 was \$85,510.

Bert Corona Charter School

The School leases facilities for Bert Corona Charter School until June 30, 2021. Rent expense for the year ended June 30, 2017 under this lease was \$115,151.

Home office

The School leases facilities for its home office until August 18, 2021. Rent expense for the year ended June 30, 2017 was \$48,631.

Future minimum lease payments are as follows:

Year Ended June 30,	
2018	\$ 519,725
2019	170,496
2020	170,496
2021	170,496
2022	7,062
Total	<u>\$ 1,038,275</u>

NOTE 6: REVOLVING LOAN

The School has a revolving loan from the California School Finance Authority. The loan has a principal of \$250,000 with an interest rate of 0.3% annually. The loan matures in June 2020. The balance of the loan as of June 30, 2017 was \$150,004.

YPI CHARTER SCHOOLS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 6: REVOLVING LOAN

Future principal payments are as follows:

Year Ended June 30,	
2018	\$ 50,000
2019	50,000
2020	<u>50,004</u>
Total	<u>\$ 150,004</u>

NOTE 7: 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 was renewed in 2017. There was no outstanding balance as of June 30, 2017.

NOTE 8: RELATED PARTY

The School has entered into several transactions with YPI (a related party). During the year ended June 30, 2017 the School paid YPI \$2,656,794 for program services related to certain federally-funded grant programs, and has \$308,425 in accounts payable for these services as of June 30, 2017. The School and YPI have no common board members.

NOTE 9: DUE TO OTHERS

In 2017, the School received contributions for the YPI Parent Group and student groups. The amount of cash held payable to the Parent Group and student groups as of June 30, 2017 are \$43,423 and \$3,213, respectively.

In 2017, the School received \$1,062,404 for Career Tech Education Incentive Grant funding. After the funding was received, the School determined that it would not pursue this grant and found another school that would act as its fiscal agent, Vaughn Next Century Learning Center. As of June 30, 2017, the School has \$1,062,404 in funds held for Vaughn Next Century Learning Center.

NOTE 10: 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, 2017**

NOTE 11: TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2017, temporarily restricted net assets were made up of the following:

Educator effectiveness grant	\$ 5,098
College readiness grant	<u>47,859</u>
	<u>\$ 52,957</u>

NOTE 12: 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 debt. Repayment of the debt will commence approximately one year after occupancy of the project.

DRAFT

SUPPLEMENTARY INFORMATION

DRAFT

YPI CHARTER SCHOOLS, INC.

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
For the Year Ended June 30, 2017**

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, 2017 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 ← 1	June 2017 ← June 2018
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, 2017**

	Instructional Minutes		Traditional	Status
	Requirement	Actual	Instructional Days	
Bert Corona Charter School:				
Grade 5	54,000	66,594	180	In compliance
Grade 6	54,000	66,594	180	In compliance
Grade 7	54,000	66,594	180	In compliance
Grade 8	54,000	66,594	180	In compliance
Monsenor Oscar Romero Charter School:				
Grade 6	54,000	66,253	180	In compliance
Grade 7	54,000	66,253	180	In compliance
Grade 8	54,000	66,253	180	In compliance
YPI Valley Public Charter High School:				
Grade 9	64,800	66,510	180	In compliance
Grade 10	64,800	66,510	180	In compliance

See independent 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, 2017**

	<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:				
Grades 5-6	140.96	140.96	140.94	140.94
Grades 7-8	217.54	217.54	217.47	217.47
Subtotal	<u>358.50</u>	<u>358.50</u>	<u>358.41</u>	<u>358.41</u>
Monsenor Oscar Romero Charter School:				
Grade 6	106.70	106.70	106.23	106.23
Grades 7-8	218.68	218.68	218.84	218.84
Subtotal	<u>325.38</u>	<u>325.38</u>	<u>325.07</u>	<u>325.07</u>
YPI Valley Public Charter High School:				
Grades 9-12	143.52	143.52	143.83	143.83
Subtotal	<u>143.52</u>	<u>143.52</u>	<u>143.83</u>	<u>143.83</u>
ADA Totals	<u>827.40</u>	<u>827.40</u>	<u>827.31</u>	<u>827.31</u>

See independent 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, 2017**

	Bert Corona	Monsenor	YPI Valley
	Charter School	Oscar Romero	Public Charter
	Charter School	Charter School	High School
June 30, 2017 Annual Financial Report			
Fund Balances (Net Assets)	2,869,855	\$ 4,578,245	\$ 297,007
Adjustments and Reclassifications:			
Increasing (Decreasing) the Fund Balance (Net Assets):			
Accounts receivable - federal and state	308,424	-	-
Property, plant and equipment, net	(17)	86,600	-
Accounts payable and accrued liabilities	(270,263)	(45,639)	-
Deferred revenue	-	1,149,004	-
Amount held for others	-	(1,103,366)	-
Notes payable	-	(43,300)	-
Net Adjustments and Reclassifications	<u>38,144</u>	<u>43,299</u>	<u>-</u>
June 30, 2017 Audited Financial Statement			
Fund Balances (Net Assets)	<u>\$ 2,907,999</u>	<u>\$ 4,621,544</u>	<u>\$ 297,007</u>

See independent 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, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Bert Corona Charter School	Monsenor Oscar Romero Charter	Bert Corona High School	Total Federal Expenditures
U.S. Department of Education:						
Pass Through Program From						
California Department of Education:						
No Child Left Behind Act						
Title I, Part A	84.010	14981	\$ 139,403	\$ 148,161	\$ 54,244	\$ 341,808
Title II, Part A, Teacher Quality	84.367	14341	1,665	1,653	634	3,952
Title III Limited English Proficient Student Program	84.365	14346	7,947	12,246	2,012	22,205
Title V, PCSGP	84.282A	14941	-	-	30,171	30,171
San Fernando Valley Full Service Community Schools Program	84.215J	N/A	13,825	-	-	13,825
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	N/A	2,917,341	-	-	2,917,341
School Climate Transformation Grant	84.184G	N/A	1,056,254	-	-	1,056,254
Special Education	84.027	13379	69,262	62,863	27,728	159,853
Total U.S Department of Education			<u>4,205,697</u>	<u>224,923</u>	<u>114,789</u>	<u>4,545,409</u>
U.S. Department of Agriculture:						
Pass Through Program From						
California Department of Education:						
Child Nutrition Program Cluster:						
Especially Needy Breakfast Program	10.553	13526	100,924	103,679	24,610	229,213
National School Lunch Program	10.555	23165	167,027	171,586	40,727	379,340
Meal Supplements	10.557	N/A	15,216	15,632	3,710	34,558
Total U.S Department of Agriculture			<u>283,167</u>	<u>290,897</u>	<u>69,047</u>	<u>643,111</u>
U.S. Department of Health and Human Services						
Pass Through Program From						
California Department of Education:						
Medicaid	93.778	N/A	6,915	4,091	-	11,006
Total Federal Expenditures			<u>\$ 4,495,779</u>	<u>\$ 519,911</u>	<u>\$ 183,836</u>	<u>\$ 5,199,526</u>

See independent 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, 2017**

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, 2017. 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.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2017, 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 11, 2017.

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.

CliftonLarsonAllen LLP
Glendora, CA
December 11, 2017

**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, 2017. 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 federal statutes, regulations, and terms and conditions of federal awards 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, 2017.

**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.

CliftonLarsonAllen LLP
Glendora, CA
December 11, 2017

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 *2016-2017 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, 2017. 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 *2016-2017 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

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, 2017.

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 *2016-2017 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.

CliftonLarsonAllen LLP
Glendora, CA
December 11, 2017

YPI CHARTER SCHOOLS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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:

CFDA Number(s) Name of Federal Program or Cluster

84.334A Gaining Early Awareness and Readiness for Undergraduate Programs

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, 2017**

All audit findings must be identified as one or more of the following 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, 2017.

YPI CHARTER SCHOOLS, INC.

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

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

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