

PRELIMINARY

EL CAMINO REAL ALLIANCE

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2016**

Operating:
EL CAMINO REAL CHARTER HIGH SCHOOL

EL CAMINO REAL ALLIANCE

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JUNE 30, 2016

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Feddersen & Company, LLP

Certified Public Accountants

PRELIMINARY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
El Camino Real Alliance
Woodland Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of El Camino Real Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

PRELIMINARY

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Camino Real Alliance as of June 30, 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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The Management's Discussion and Analysis on pages 3 – 7 and the accompanying supplementary information on pages 23 – 30, are presented for purposes of additional analysis and are also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of El Camino Real Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Camino Real Alliance's internal control over financial reporting and compliance.

Agoura Hills, California
November 28, 2016

EL CAMINO REAL ALLIANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

PRELIMINARY

The Management Discussion and Analysis section of El Camino Real Alliance's (the Organization) financial report presents an overall review of the Organization's financial performance during the fiscal year that ended on June 30, 2016. Readers should also review the notes to the financial statements to enhance their understanding of the Organization's financial performance.

FINANCIAL HIGHLIGHTS

- Net assets increased \$3,799,687 or 26.5 percent over the course of the year.
- Total revenues received were \$39,673,203 for the fiscal year ended June 30, 2016.
- The Organization incurred \$35,873,516 in expenses for the fiscal year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE SCHOOL

Net assets. The Organization's net assets of \$18,157,363 were greater on June 30, 2016 than they were the prior year, increasing by \$3,799,687 or 26.5 percent (See Table 1.) Table 1 provides a summary of the Organization's net assets for the fiscal years ended 2016 and 2015.

Table 1
El Camino Real Alliance's Net Assets

	<u>Governmental Activities</u>		<u>Total Change</u>	<u>Total % Change</u>
Summary of Statement of Net Assets	2015	2016		
Cash and cash equivalents	\$ 7,499,034	\$ 7,481,424	\$ (17,610)	(0.2 %)
Certificates of deposit	5,243,447	5,195,253	(48,194)	(0.9 %)
Accounts receivable	3,152,569	3,305,922	153,353	4.9 %
Prepaid expenditures and deposits	674,769	371,574	(303,195)	(44.9 %)
Property and equipment, net	999,942	4,061,608	3,061,666	306.2 %
Total Assets	<u>17,569,761</u>	<u>20,415,781</u>	<u>2,846,020</u>	<u>16.2 %</u>
Current liabilities	<u>3,212,085</u>	<u>2,258,418</u>	<u>(953,667)</u>	<u>(29.7 %)</u>
Total Liabilities	<u>3,212,085</u>	<u>2,258,418</u>	<u>(953,667)</u>	<u>(29.7 %)</u>
Net assets – unrestricted operational	9,357,676	12,928,585	3,570,909	38.2 %
Net assets – unrestricted facilities	5,000,000	5,000,000	-	- %
Net assets – temporarily restricted	-	228,778	228,778	- %
Total Net Assets	<u>\$14,357,676</u>	<u>\$18,157,363</u>	<u>\$ 3,799,687</u>	<u>26.5 %</u>

EL CAMINO REAL ALLIANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

PRELIMINARY

Net assets continued. Total assets were \$20,415,781, 36.7 percent in cash in banks, 25.4 percent in certificates of deposit, 16.2 percent in accounts receivable, 19.9 percent in property and equipment, and 1.8 percent in prepaid expenses and deposits. Total liabilities were \$2,258,418. Current liabilities account for 100.0 percent of the total liabilities and consist of 35.9 percent in accounts payable, 16.9 percent in accrued payroll and payroll liabilities, 9.5 percent in due to others, and 37.7 percent in unearned revenue. Of the Organization's \$18,157,363 net assets, 98.7 percent were unrestricted and 1.3 were temporarily restricted. The board of directors has designated an unrestricted amount of \$5,000,000 for facilities.

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

Summary of Statement of Activities	<u>2015</u>	<u>2016</u>
Program revenues	\$ 34,115,143	\$ 39,613,479
General revenues	<u>37,779</u>	<u>59,724</u>
Total Revenues	<u>34,152,922</u>	<u>39,673,203</u>
Program expenses	24,002,621	31,090,326
Management and general expenses	<u>5,797,618</u>	<u>4,783,190</u>
Total Expenses	<u>29,800,239</u>	<u>35,873,516</u>
Change in Net Assets	4,352,683	3,799,687
Net Assets, Beginning	<u>10,004,993</u>	<u>14,357,676</u>
Net Assets, Ending	<u>\$ 14,357,676</u>	<u>\$ 18,157,363</u>

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

EL CAMINO REAL ALLIANCE

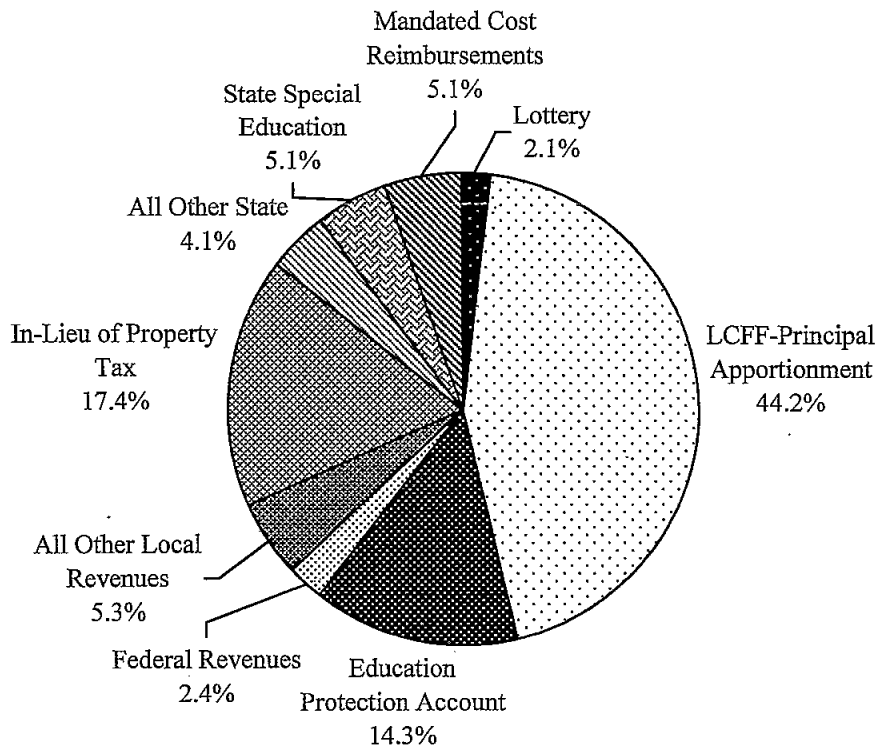
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

PRELIMINARY

Governmental Activities

By the end of the fiscal year, the revenues for the Organization's activities totaled \$39,673,203. LCFF principal apportionment was 44.2 percent of total funding, 14.3 percent from education protection account and 17.4 percent from in-lieu of property taxes. State special education funding was 5.1 percent, mandated cost reimbursements were 5.1 percent, lottery funds comprised 2.1 percent and all other state funding was 4.1 percent of total funding. Federal funding was 2.4 percent and the remaining 5.3 percent was from all other local revenue sources.

Figure 1
El Camino Real Alliance's Revenues for Fiscal Year 2016
Analysis of Revenue Sources



EL CAMINO REAL ALLIANCE

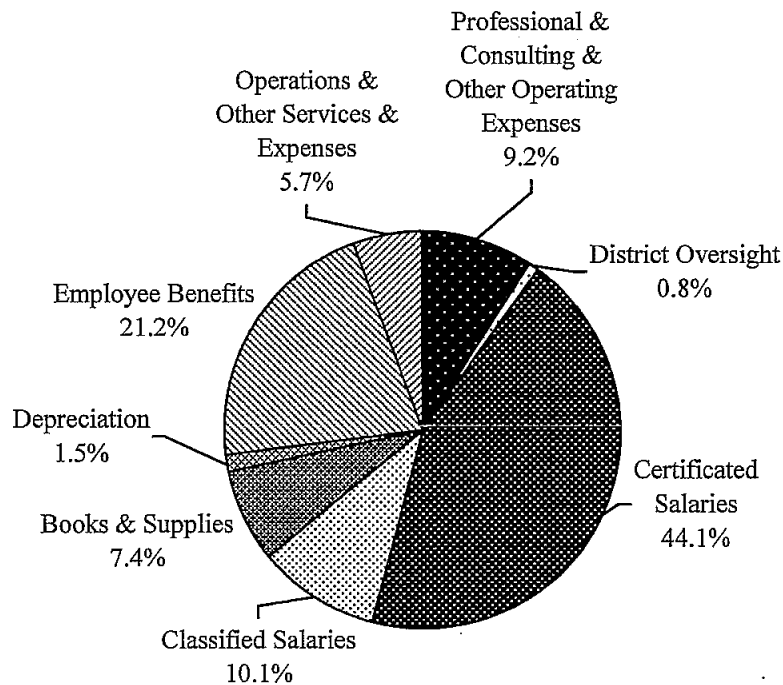
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

PRELIMINARY

The cost of all the Organization's major activities: instruction, guidance, counseling, evaluation, school leadership, administration, maintenance and operations was \$35,873,516. Program service expenses accounted for \$31,090,326 or 86.7 percent of total expenses, while \$4,783,190 or 13.3 percent were management and general support expenses.

Figure 2
El Camino Real Alliance's Expenses for Fiscal Year 2016



General Budgetary Highlights

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

EL CAMINO REAL ALLIANCE

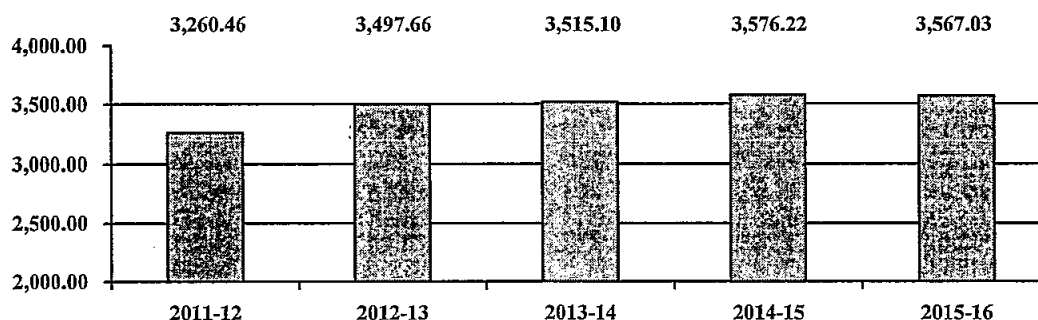
MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2016

PRELIMINARY

Average Daily Attendance

Average Daily Attendance at the second period report for El Camino Real Charter High School decreased by 9.19 to 3,567.03 for the fiscal year ended June 30, 2016. El Camino Real Charter High School continues to focus on attendance and student retention in the 2016-17 school year.

Second Period Report Average Daily Attendance



Factors Bearing on the School's Future

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

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

EL CAMINO REAL ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

PRELIMINARY

ASSETS

	El Camino Real Charter High School
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 7,481,424
Certificates of Deposit	5,195,253
Accounts Receivable	3,305,922
Prepaid Expenditures	371,574
Total Current Assets	<u>16,354,173</u>
PROPERTY AND EQUIPMENT, NET	<u>4,061,608</u>
Total Assets	<u><u>\$ 20,415,781</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 809,686
Accrued Payroll and Payroll Liabilities	382,488
Due to Grantor	16,643
Due to Student Groups / Other Agencies	198,613
Unearned Revenue	850,988
Total Current Liabilities	<u>2,258,418</u>
Total Liabilities	2,258,418
NET ASSETS	
Unrestricted	
Available for Operations	12,928,585
Board Designated - Facilities	5,000,000
Temporarily Restricted	228,778
Total Net Assets	<u>18,157,363</u>
Total Liabilities and Net Assets	<u><u>\$ 20,415,781</u></u>

The accompanying notes are an integral part of these financial statements

EL CAMINO REAL ALLIANCE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

PRELIMINARY

UNRESTRICTED NET ASSETS

El Camino Real

SUPPORT AND REVENUES

Charter High School

LCFF Sources:

Principal Apportionment State Aid

\$ 17,536,951

Education Protection Account

5,673,824

In-Lieu of Property Taxes

6,890,075

Federal Revenue

970,967

Other State Revenue:

Special Education

2,043,062

Mandated Cost Reimbursements

2,042,990

Lottery Revenue

824,294

All Other

1,362,107

Local Revenue:

Food Service Sales

50,797

All Other

1,989,634

Other Revenue:

Interest Income

2,558

Unrealized Gain on Investments

57,166

Total Unrestricted Revenue

39,444,425

EXPENSES

PROGRAM EXPENSES

Educational

31,090,326

SUPPORT SERVICES

Management and General

4,783,190

Total Unrestricted Expenses

35,873,516

Increase in Unrestricted Net Assets

3,570,909

TEMPORARILY RESTRICTED NET ASSETS

Other State Revenue

228,778

Increase in Temporarily Restricted Net Assets

228,778

INCREASE IN NET ASSETS

3,799,687

NET ASSETS

Beginning of Year

14,357,676

End of Year

\$ 18,157,363

The accompanying notes are an integral part of these financial statements

EL CAMINO REAL ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

PRELIMINARY

El Camino Real
Charter High School

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in Net Assets	\$ 3,799,687
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	549,364
Unrealized Gain on Investments	(57,166)
(Increase) Decrease in Assets:	
Accounts Receivable	(153,353)
Prepaid Expenditures	303,195
Increase (Decrease) in Liabilities:	
Accounts Payable	(580,616)
Accrued Payroll and Payroll Liabilities	277,465
Due to Grantor	(717,812)
Due to Student Groups / Other Agencies	198,613
Unearned Revenue	(131,317)
Net Cash Provided by Operating Activities	<u>3,488,060</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Property and Equipment	(3,765,246)
Construction in Progress	154,217
Investments in Certificates of Deposit	105,359
Net Cash Used for Investing Activities	<u>(3,505,670)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Cash Used for Financing Activities	<u>-</u>
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Net Decrease in Cash and Cash Equivalents	(17,610)
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Cash, Beginning of Year	<u>7,499,034</u>
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Cash, End of Year	<u>\$ 7,481,424</u>
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The accompanying notes are an integral part of these financial statements

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

PRELIMINARY

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

Organization and Nature of Activities – El Camino Real Alliance (the Organization) is a California non-profit public benefit corporation and is organized to manage and operate public charter schools. For the year ended June 30, 2016, the Organization operated one public charter school: El Camino Real Charter High School (the School). The School serves students in grades nine through twelve and is funded principally through State of California public education monies received through the California Department of Education and the Los Angeles Unified School District.

The Los Angeles Unified School District (the District) is the chartering authority for the School. California Education Code section 47604(c) states that the District shall not be liable for the debts or obligations of the charter school. The District granted the School its first charter in May 2011. The charter was renewed by the District for a term of five years for the period from July 1, 2016 to June 30, 2021.

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

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

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

- *Unrestricted* – All resources over which the governing board has discretionary control to use in carrying on the general operations of the Organization.
- *Temporarily Restricted* – These net assets are restricted by donors to be used for specific purposes. The Organization currently has \$228,778 of temporarily restricted net assets. For additional information, see Note 6.
- *Permanently Restricted* – These net assets are permanently restricted by donors and cannot be used by the Organization. The Organization does not currently have any permanently restricted net assets.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

PRELIMINARY

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

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

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.

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

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

Accounts Receivable – Accounts receivable primarily represent amounts due from federal, state and local governments as of June 30, 2016 and are recorded at their net realizable value. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

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

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

PRELIMINARY

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

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

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

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

NOTE 2 – CONCENTRATION OF CREDIT RISK

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2016, deposits in excess of the FDIC limit amount to approximately \$6,350,000. Management believes the School is not exposed to any significant credit risk related to cash.

NOTE 3 – CERTIFICATES OF DEPOSIT

The certificates bear interest ranging from 0.40 percent to 3.30 percent and have maturities of 12 months. Any penalties for early withdrawal would not have a material effect on the financial statements.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

PRELIMINARY

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable outstanding at June 30, 2016 consisted of the following:

State Government	\$ 3,238,772
Federal Government	26,871
Local Government	39,366
All Other Local Revenues	913
Total Accounts Receivable	<u>\$ 3,305,922</u>

NOTE 5 – PROPERTY AND EQUIPMENT

A schedule of changes in property and equipment and accumulated depreciation for the year ended June 30, 2016, is as follows:

SUMMARY OF CHANGES IN PROPERTY AND EQUIPMENT

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>
Land	\$ -	\$ 2,019,964	\$ -	\$ 2,019,964
Computer and Equipment	935,135	88,189	-	1,023,324
Buildings	141,467	1,517,626	-	1,659,093
Leasehold Improvements	156,235	-	-	156,235
Building Improvements	-	139,468	-	139,468
Construction in Progress	201,814	-	154,217	47,597
Totals	<u>\$ 1,434,651</u>	<u>\$ 3,765,247</u>	<u>\$ 154,217</u>	<u>\$ 5,045,681</u>

SUMMARY OF CHANGES IN ACCUMULATED DEPRECIATION

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>
Computer and Equipment	\$ 265,804	\$ 389,826	\$ -	\$ 655,630
Buildings	94,433	63,828	-	158,261
Leasehold Improvements	74,472	81,763	-	156,235
Building Improvements	-	13,947	-	13,947
Totals	<u>\$ 434,709</u>	<u>\$ 549,364</u>	<u>\$ -</u>	<u>\$ 984,073</u>

During the fiscal year ended June 30, 2016, \$549,364 was charged to depreciation expense.

NOTE 6 – RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of June 30, 2016:

Educator Effectiveness Funding	<u>\$ 228,778</u>
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EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

PRELIMINARY

NOTE 7 – EMPLOYEE BENEFIT PLANS

The risks of participating in these multi-employer plans are different from single-employer plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- The required member, employer, and State contribution rates are set by the California Legislature.
- If the Organization chooses to stop participating in the multi-employer plans, it may be required to pay those plans an amount based on the unfunded status of the plan, referred to as a withdrawal liability.

The Organization has no plans to withdraw from these multi-employer plans.

California State Teachers' Retirement System (CalSTRS)

Plan Name:	California State Teachers' Retirement System
Plan EIN:	94-6291617
Actuarial value of assets:	\$165,553
Actuarial accrued liability:	\$241,753
Funded status:	65-80 percent funded

The actuarial value of assets and accrued liability are expressed in millions and are valued as of June 30, 2015, the most recent actuarial valuation date.

Plan Description

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

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

PRELIMINARY

JUNE 30, 2016

NOTE 7 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Benefits Provided

The benefits are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. The California Public Employees' Pension Reform Act of 2013 (PERPA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PERPA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with a minimum of five years of CalSTRS-credit service.

Contributions

The Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. School employer contributions will increase from 8.25 percent to a total of 19.1 percent of covered payroll over a seven-year period, effective July 1, 2014. The required employer contribution rate for the fiscal year 2015-2016 was 10.73 percent of annual payroll. The School's contribution to CalSTRS for the fiscal years ended June 30, 2016, 2015 and 2014 was \$1,598,786, \$1,145,994 and \$1,028,236, respectively, and equals 100.0 percent of the required contributions for the year. The Organization's contributions are less than 5 percent of total plan contributions. For the fiscal year 2017, the Organization is required to contribute 12.58 percent of annual payroll.

California Public Employees' Retirement System (CalPERS)

Plan Name:	California Public Employees' Retirement System
Plan EIN:	94-6207465
Market value of assets:	\$56,814
Actuarial accrued liability:	\$73,325
Funded status:	65-80 percent funded

The market value of assets and the actuarial accrued liability are expressed in millions and are valued as of June 30, 2015, the most recent actuarial valuation date.

Plan Description

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

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

PRELIMINARY

JUNE 30, 2016

NOTE 7 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Benefits Provided

The benefits for the CalPERS plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PERPA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PERPA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

Contributions

Contribution rates for the CalPERS plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Classic plan members, defined as a member who joined CalPERS prior to January 1, 2013, are required to contribute 7 percent of their salary. New members who joined CalPERS for the first time on or after January 1, 2013 are required to contribute 6 percent of their salary. The required employer contribution rate for the fiscal year 2015-2016 was 11.847 percent of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute. The Organization's contributions to CalPERS for the fiscal years ended June 30, 2016, 2015 and 2014 was \$368,171, \$323,686 and \$317,803, respectively, and equals 100.0 percent of the required contributions for the year. The Organization's contributions are less than 5 percent of total plan contributions. For the fiscal year 2017, the School is required to contribute 13.888 percent of annual payroll.

NOTE 8 – COMMITMENTS

In October 2012, the School signed a sole occupant agreement with the Los Angeles Unified School District (the District) for use of property located at 5440 Valley Circle Blvd., Woodland Hills, California. The agreement carries a term that coincides with the School's charter. The agreement does not require the School to pay a lease amount for the use of the property, but instead, the School pays a Pro Rata Share Charge based on the square feet used. This Pro Rata Share Charge paid to the District for the School for the year ended June 30, 2016 was \$328,745.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

PRELIMINARY

NOTE 9 – OPERATING LEASE

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

Los Angeles Unified School District – The lease is co-terminus with the School’s charter petition, commencing July 1, 2016 with the term ending June 30, 2021. The first option period to extend the term of this lease to June 30, 2021 was exercised. The lease is payable annually in the amount of 10.0 percent of Average Daily Attendance at the site or \$72,000, whichever is greater. Rent expense for the year ended June 30, 2016 was \$128,908.

Future minimum lease payments under the lease agreement are as follow as of June 30, 2016:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2017	\$ 72,000
2018	72,000
2019	72,000
2020	72,000
2021	72,000
	<u>\$ 360,000</u>

NOTE 10 – POST-RETIREMENT BENEFITS

On June 1, 2015, the El Camino Real Alliance Public School Employee Retirement Healthcare Benefits Trust (the Trust) was established. The trust was established to hold assets solely for the benefit of one or more specified retirement healthcare benefit plans (the Plans) sponsored and provided to qualified public school employees and beneficiaries of the Organization. The trust is not established for retirement benefits other than public school employee retirement benefits under the Plans or for retirement benefits with respect to any employee of any employer other than the School. The Plan is a single employer plan and provides medical, dental and vision benefits to qualified employees who retire from the School. The Plan provides for a benefit determined by a formula based on the employees’ years of service and age at retirement. An actuarial calculation of the estimated present value of medical, dental and vision benefits to the participants of El Camino Real High School Post-Retirement Medical Plan was performed for the year ended June 30, 2016 that amount is approximately \$51,700,000. The \$51,700,000 represents the present value of all benefits expected to be paid in the future, which includes benefits attributable to both past and future services. The calculation did not reflect the potential impact of the Medicare Part D benefits. Information relating to the School’s Post-Retirement Medical Plan is shown in the following table:

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

PRELIMINARY

NOTE 10 – POST-RETIREMENT BENEFITS (CONTINUED)

Discount rate to compute the present value of the estimated benefits	5.00 percent compounded annually
Health Care Cost Trend Factors – Pre-Retirement Trend Rate	Medical premiums will increase by: 6.50 percent in the first year, 6.70 percent for the 2 nd year, 5.70 percent for the 3 rd year, 5.30 percent for the 4 th year, 5.20 percent for the 5 th and 6 th year, 5.10 percent for the 7 th through 11 th year, 5.40 percent for the 12 th year, 6.0 percent for the 13 th year, 6.20 percent for the 14 th year, and slowly trends down to 4.2 percent in the year 2074. Dental and vision premiums will increase by 5.00 percent from year 2016 through year 2064, and slowly trends down to 4.20 percent in year 2084.
Health Care Cost Trend Factors – Post-Retirement Trend Rate	Medical premiums will increase by: 6.40 percent in the first year, 6.10 percent in the second year, 5.80 percent in the 3 rd year, 5.20 percent in the 4 th and 5 th years, 5.10 percent for the 6 th year through 20 th year, and eventually trends to 4.20 percent in year 2086. Dental premiums will increase by 5.0 percent from years 2016 to 2057, and eventually stays level at 4.20 percent in year 2088.
Effect of a one-percentage-point increase in trend rates – APBO (Accumulated Post Retirement Benefit)	Trend \$20.9 million, APBO trend +1 is \$25.7 million and APBO trend -1 is \$17.2 million.
Trend in compensation costs	Not applicable
Discount rate used to compute the accumulated post-retirement benefit obligation	5.00 percent compounded annually.
Funding policy and status	The School will fund the plan for the fiscal year ended June 30, 2016 in the amount of \$1,700,000 and by at least \$1,200,000 for each fiscal year thereafter.
Cost of providing termination benefits recognized during the period	The cost of providing benefits for the fiscal year ended June 30, 2016 – Not calculated.
Components of post-retirement expense	Service cost is \$1.8 million, interest cost is \$1.04 million.
Accumulated post-retirement benefit obligation showing separately the amount applicable to retirees, other eligible participants, and other active participants	Retirees – \$0, Eligible –\$2.1 million, and Ineligible - \$18.8 million.
Fair market value of plan assets	\$2,413,006 at June 30, 2016.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

PRELIMINARY

NOTE 10 – POST-RETIREMENT BENEFITS (CONTINUED)

Return on plan assets on an after-tax basis	It is estimated that the future return on plan assets will be 4.00 – 6.00 percent per annum.
Amount by which APBO is reduced for the subsidy	The APBO is reduced by \$240,000 if excise tax is excluded.
Effect of subsidy in the measurement of net periodic post-retirement benefit cost	Service cost remains at \$1.8 million and interest cost is reduced to \$1 million if excise tax is excluded.

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

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITY

The Organization participates in a joint venture under a joint powers agreement (JPA) with the California Charter School Joint Powers Authority, doing business as charterSAFE (SAFE). The relationship between the Organization and SAFE is such that SAFE is not considered a component unit of the Organization for financial reporting purposes.

SAFE arranges for and provides workers' compensation, property, and liability insurance coverage for their members. The JPA is governed by boards consisting of a representative from each member. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member beyond their representation of the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. All of the member schools will have individual limits, instead of member schools "sharing limits." Complete separate financial statements for the JPA may be obtained from the agency.

NOTE 12 – CONTINGENCIES

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

NOTE 13 – SUBSEQUENT EVENTS

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 28, 2016, the date the financial statements were available to be issued.

The School received a Notice of Violations, which was issued by the Los Angeles Unified School District on August 23, 2016. The School submitted its Response to the Notice of Violations on September 23, 2016. The response, plus a Memorandum of Understanding with the District executed on October 18, 2016, has stayed the School's charter revocation process.

EL CAMINO REAL ALLIANCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

PRELIMINARY

NOTE 13 – SUBSEQUENT EVENTS (CONTINUED)

The Board voted unanimously to exercise its right to early termination without cause under Section 12.b of the Executive Director's employment agreement, in which case the Board is contractually required to make specified severance payment. This decision will be effective on December 16, 2016.

The Organization's Board has recognized and identified substantial areas of improvement for its employees, and has taken steps to greatly enhance its oversight procedures. The School has made changes to its Enterprise Resource Planning ("ERP") system and the Fiscal Policies and Procedures ("FPP") program to facilitate and improve the proper approval of purchases and expenditures. Some of the changes are as follows:

In May 2016, the School destroyed all credit cards except for one that is kept at the School in a safe. However, in response to the Notice of Violations, on September 21, 2016, the School's Board voted to amend the FPP to unambiguously prohibit personal use of the School's credit and charge cards.

The School implemented an Enterprise Resource Planning (ERP) system on July 1, 2015. By September of 2016 all employees were using the ERP system, which captures the full purchase process. Purchase requisitions are made by employees and approved by Authorizing Personnel, as defined in the FPP. Only after the established protocol has been followed and fulfilled will the School's credit card then be used to facilitate a purchase. All of the supporting documents to support a charge are to be uploaded into the ERP.

For the 2016-17 school year the School will work with the Financial Crisis and Management Assistance Team ("FCMAT") to review internal controls and recommend changes, while also providing periodic training to the staff. FCMAT has already commenced its review.

Furthermore, ECRCHS will continue to work with a back office services firm, currently EdTec, to improve best practices and continue to provide a second pair of eyes on the financials.

PRELIMINARY

EL CAMINO REAL ALLIANCE

SUPPLEMENTARY INFORMATION SECTION

**FOR THE YEAR ENDED
JUNE 30, 2016**

Operating:
EL CAMINO REAL CHARTER HIGH SCHOOL

EL CAMINO REAL ALLIANCE

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

PRELIMINARY

JUNE 30, 2016

ORGANIZATION

El Camino Real Alliance (the Organization) was established in 2011 and is a non-profit public benefit corporation organized to manage and operate public charter schools. For the year ended June 30, 2016, the Organization operated one public charter school: El Camino Real Charter High School (the School). The School began serving students in August 2011. The School's charter was approved in May 2011 and is sponsored by the Los Angeles Unified School District. El Camino Real Charter High School's charter number authorized by the state of California is 1314.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM</u>	<u>TERM EXPIRES</u>
Jonathan Wasser	Chair	Three Years	June 30, 2017
Donna Slamon	Secretary	Three Years	June 30, 2016
Jackie Keene	Treasurer	Three Years	June 30, 2017
Denny Thompson	Member	Three Years	June 30, 2017
Odus Caldwell	Member	Three Years	June 30, 2016
Larry Rubin	Member	Three Years	June 30, 2017
Peter Vastenhold	Member	Three Years	June 30, 2016

EXECUTIVE DIRECTOR / PRINCIPAL

David Hussey

CHIEF BUSINESS OFFICIAL

Marshall Mayotte

EL CAMINO REAL ALLIANCE

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE YEAR ENDED JUNE 30, 2016

PRELIMINARY

El Camino Real Charter High School:

	Second Period Report			Annual Report		
	Classroom Based	Independent Study	Total ADA	Classroom Based	Independent Study	Total ADA
Grades 9 through 12	3,492.40	74.63	3,567.03	3,453.85	77.38	3,531.23
ADA Totals	<u>3,492.40</u>	<u>74.63</u>	<u>3,567.03</u>	<u>3,453.85</u>	<u>77.38</u>	<u>3,531.23</u>

See auditor's report and the notes to supplementary information

EL CAMINO REAL ALLIANCE

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE YEAR ENDED JUNE 30, 2016

PRELIMINARY

El Camino Real Charter High School:

	2015-16 Minutes		Number of Days	Status
	Requirement	Actual	Traditional Calendar	
Grade 9	64,800	65,388	179	In Compliance
Grade 10	64,800	65,388	179	In Compliance
Grade 11	64,800	65,388	179	In Compliance
Grade 12	64,800	65,388	179	In Compliance

See auditor's report and the notes to supplementary information

EL CAMINO REAL ALLIANCE

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

PRELIMINARY

El Camino Real Charter High School:

	Program Services	Support Services	
	Educational	Management and General	Total
Compensation and Related Expenses			
Salaries - Certificated	\$ 15,505,607	\$ 311,418	\$ 15,817,025
Salaries - Classified	2,982,944	645,708	3,628,652
Employee Benefits	7,283,019	310,099	7,593,118
Total Compensation and Related Expenses	25,771,570	1,267,225	27,038,795
Books and Supplies	1,997,779	655,987	2,653,766
Travel and Conferences	90,463	22,616	113,079
Dues and Memberships	243,672	-	243,672
Operations and Housekeeping Services	860,079	-	860,079
Rentals, Leases and Repairs	210,840	491,938	702,778
Communications	88,330	22,082	110,412
Professional/Consulting Services and Operating Expenditures	1,827,593	1,472,970	3,300,563
Depreciation and Amortization	-	549,364	549,364
District Oversight	-	301,008	301,008
Total	\$ 31,090,326	\$ 4,783,190	\$ 35,873,516

See auditor's report and the notes to supplementary information

EL CAMINO REAL ALLIANCE

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS

PRELIMINARY

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	El Camino Real Charter High School
June 30, 2016 Annual Financial and Budget Report Fund Balance (Net Assets)	\$ 17,194,987
Adjustments and Reclassifications Increase (Decrease):	
Accounts Receivable / State Revenues	148,271
Property and Equipment, Net / Depreciation and Amortization	(16,794)
Accounts Payable / Rentals, Leases and Repairs	(56,908)
Accounts Payable / Professional/Consulting and Operating Expenses	169,124
Accrued Payroll and Payroll Liabilities / Employee Benefits	273,469
Due to Grantor Governments / Other State Revenue	445,214
June 30, 2016 Audited Financial Statement Fund Balance (Net Assets)	\$ 18,157,363

See auditor's report and the notes to supplementary information

EL CAMINO REAL ALLIANCE

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2016

PRELIMINARY

NOTE 1 – PURPOSE OF SCHEDULES:

A. Local Education Agency Organization Structure

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of Education Code Sections 46200 through 46208.

D. Schedule of Functional Expenses

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

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

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

EL CAMINO REAL ALLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

PRELIMINARY

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Pass-Through Program from California Department of Education:				
National School Lunch Program	10.555	13523	\$ -	\$ 41,476
Total U.S. Department of Agriculture			-	41,476
U.S. Department of Education				
Pass-Through Program from California Department of Education:				
Special Education - Grants to States; Indiviudals with Disabilities Education Act (IDEA, Part B)	84.027	13379	-	677,450
Title I Grants to Local Educational Agencies	84.010	14329	-	224,767
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	14831	-	17,589
Improving Teacher Quality State Grants	84.367	14341	-	6,432
English Language Acquisition State Grants	84.365	14346	-	3,253
Total U.S. Department of Education			-	929,491
Total Expenditures of Federal Awards			\$ -	\$ 970,967

See accompanying notes to the schedule of expenditures of federal awards

EL CAMINO REAL ALLIANCE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

PRELIMINARY

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of El Camino Real Alliance under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of El Camino Real Alliance, it is not intended to and does not present the financial position, changes in net assets, or cash flows of El Camino Real Alliance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 3 – INDIRECT COST RATE

El Camino Real Alliance has elected not to use the 10.0 percent de minimis indirect cost rate allowed under the Uniform Guidance.

PRELIMINARY

EL CAMINO REAL ALLIANCE

OTHER INDEPENDENT AUDITOR'S REPORTS

**FOR THE YEAR ENDED
JUNE 30, 2016**

Operating:
EL CAMINO REAL CHARTER HIGH SCHOOL

PRELIMINARY

**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***

To the Board of Directors of
El Camino Real Alliance
Woodland Hills, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of El Camino Real Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

PRELIMINARY

Compliance and Other Matters

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

Purpose of this Report

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

Agoura Hills, California
November 28, 2016

Feddersen & Company, LLP

Certified Public Accountants

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

PRELIMINARY

To the Board of Directors of
El Camino Real Alliance
Woodland Hills, California

Report on Compliance for Each Major Federal Program

We have audited El Camino Real Alliance's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of El Camino Real Alliance's major federal programs for the year ended June 30, 2016. El Camino Real Alliance's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of El Camino Real Alliance's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 El Camino Real Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, El Camino Real Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

PRELIMINARY

Report on Internal Control over Compliance

Management of El Camino Real Alliance is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered El Camino Real Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 El Camino Real Alliance's internal control over compliance.

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

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

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

Agoura Hills, California
November 28, 2016

Feddersen & Company, LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

PRELIMINARY

To the Board of Directors of
El Camino Real Alliance
Woodland Hills, California

Report on State Compliance

We have audited El Camino Real Alliance's compliance with the types of state 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 applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of El Camino Real Alliance's management.

Auditor's Responsibility

Our responsibility is to express an opinion on El Camino Real Alliance's compliance with the state laws and regulations based on our audit.

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 types of compliance requirements referred to above that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about El Camino Real Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. Our audit does not provide a legal determination of El Camino Real Alliance's compliance with those requirements.

Compliance Requirements Tested

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

<u>Compliance Requirements</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Not applicable
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Independent Study	Not applicable
Continuation Education	Not applicable
Instructional Time	Not applicable

PRELIMINARY

Compliance Requirements

Instructional Materials
 Ratio of Administrative Employees to Teachers
 Classroom Teacher Salaries
 Early Retirement Incentive
 Gann Limit Calculation
 School Accountability Report Card
 Juvenile Court Schools
 Middle or Early College High Schools
 K-3 Grade Span Adjustment
 Transportation Maintenance of Effort

Procedures
Performed
 Not applicable
 Not applicable
 Not applicable
 Not applicable
 Not applicable
 Not applicable
 Not applicable
 Not applicable
 Not applicable
 Not applicable

School Districts, County Offices of Education, and Charter Schools:

Educator Effectiveness
 California Clean Energy Jobs Act
 After School Education and Safety Program
 Proper Expenditure of Education Protection Account Funds
 Unduplicated Local Control Funding Formula Pupil Counts
 Local Control and Accountability Plan
 Independent Study-Course Based
 Immunizations

Yes
 No, see below
 No, see below
 Yes
 Yes
 Yes
 No, see below
 Yes

Charter Schools:

Attendance
 Mode of Instruction
 Nonclassroom-Based Instruction/Independent Study for Charter Schools
 Determination of Funding for Nonclassroom-Based Instruction
 Annual Instructional Minutes – Classroom Based
 Charter School Facility Grant Program

Yes
 Yes
 Yes
 No, see below
 Yes
 No, see below

Under Local Education Agencies Other Than Charter Schools, the term “Not applicable” is used above to mean that the program does not apply to charter schools.

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

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

We did not perform any procedures related to the Independent Study-Course Based Program because El Camino Real Alliance does not receive state funding for this program.

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

PRELIMINARY

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

Opinion

In our opinion, El Camino Real Alliance complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Agoura Hills, California
November 28, 2016

PRELIMINARY

EL CAMINO REAL ALLIANCE

FINDINGS AND RECOMMENDATIONS SECTION

**FOR THE YEAR ENDED
JUNE 30, 2016**

Operating:
EL CAMINO REAL CHARTER HIGH SCHOOL

EL CAMINO REAL ALLIANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

PRELIMINARY

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? No

 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? No

 Significant deficiencies identified? None Reported

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

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

Major programs:

CFDA Number

Name of Federal Program

84.010

Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

State Awards

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

Internal control over state programs:

 Material weakness(es) identified? No

 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

EL CAMINO REAL ALLIANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

PRELIMINARY

Section II – Financial Statement Findings

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

<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 Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements, federal or state awards for the year ended June 30, 2016.

EL CAMINO REAL ALLIANCE

SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2016

PRELIMINARY

Finding	Code	Recommendation	Current Status
2015-01: Credit Card Charges	30000		
This finding was a significant deficiency stating that while the School had formal written internal control policies in place to ensure that all expenses incurred are School related, appropriate, and properly documented, they weren't always being adhered to by all employees.		School management needs to better monitor the usage of each credit card and should modify the written policy to ensure that all expenses incurred are School related, appropriate, and properly documented.	Implemented See Notes to Financial Statements, Note 13, for additional information.
2015-02: Expense Reimbursement	30000		
This finding was a significant deficiency stating that while the School had formal written internal control policies in place to ensure that all expenses incurred are School related, appropriate, and properly documented, they weren't always being adhered to by all employees.		School management needs to better monitor the reimbursement of expenses and should modify the written policy to ensure that all expenses incurred are School related, appropriate, and properly documented.	Implemented See Notes to Financial Statements, Note 13, for additional information.