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Board of Directors
El Camino Real Alliance
Woodland Hills, CA

We have audited the financial statements of El Camino Real Alliance as of and for the year ended June 30, 2018, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by El Camino Real Alliance are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2018.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected misstatements

The attached schedule summarizes material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated REPORT DATE.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

With respect to the Local Education Agency Organization Structure, Schedule of Instructional Time, Schedule of Average Daily Attendance, and Reconciliation of Annual Financial Report with Audited Financial Statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

Other audit issues and upcoming new standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This new revenue recognition standard affects all entities, including public, private, and not-for-profit, that have contracts with customers, except where there is other specific revenue recognition guidance issued by the FASB.

This new revenue recognition standard effectively eliminates the transaction specific and industry-specific revenue recognition guidance under current accounting principles generally accepted in the United States of America (U.S. GAAP) and replaces it with a principles-based approach for determining an entity's revenue recognition policies. The core principle of the revenue recognition standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The effective date for this new revenue recognition standard for nonpublic entities is for annual reporting periods beginning after December 15, 2018.

This ASU has the potential to cause major changes in revenue recognition and have significant effects on an entity's financial statements. Based on the effective date and the adoption methods provided for in the standard, we strongly encourage management and governance of the entity to gain an understanding of the effect of Topic 606 by performing an assessment of the entity's various revenue streams, which may require a detailed review of customer contracts. The entity should be prepared to update policies and procedures. The assessment should be performed before making quantitative conclusions regarding the financial statement effect of Topic 606. We are available to assist you in developing your adoption and implementation plan over the course of the next few months.

New Financial Statement Model

After more than three years of debate, comment, and revision, the Financial Accounting Standards Board's (FASB) much-anticipated Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, was released on August 18, 2016.

FASB says the update is designed to improve nonprofit financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The effective date is December 15, 2017, for fiscal year entities, or December 31, 2018, for calendar year entities. Early application is permitted.

As a result of these changes, the entity may note the following overarching impacts:

1. Additional time by management to gather the appropriate information, which is not always readily available to ensure the new disclosures are complete and accurate.

2. Additional expense incurred during your audit to assist in the preparation of the additional disclosure information given the increased transparency and detailed information included in the financial statements and disclosures.

3. Increased number of differences between not-for-profit accounting as compared to for-profit accounting that would require further education, reconciliation, and explanations for stakeholders with for-profit backgrounds.

As a nonprofit organization, some of the more significant impacts include:

1. With the new ASU, the three existing classes of net assets will be condensed into two:

   - Unrestricted net assets will become net assets without donor restrictions.
   - Temporarily and permanently restricted net assets will collectively become net assets with donor restrictions.

   Financial statement notes will need to include the timing and nature of the restrictions, as well as the composition of net assets with donor restrictions at the end of the period. In addition, underwater endowments will now be classified in net assets with donor restrictions, instead of the current classification in unrestricted net assets. Expanded notes will also be required to disclose amounts underwater and include plans for reducing or not spending from these funds.

   A nonprofit's governing board may make designations or appropriations that result in self-imposed limits on the use of resources without donor restrictions; enhanced disclosure information will be required on the amounts and purposes of these designations. The placed-in-service approach will also be required for reporting the expiration of donor restrictions on resources used to acquire or construct long-lived assets, and the reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions.

2. Reporting expenses by both function and natural classification will be required for all nonprofits on a separate statement, on the face of the statement of activities, or in the footnotes. While a separate statement of functional expenses is not required, it may be the most effective presentation option for nonprofits with more than one program. These reporting updates may require changes to internal procedures to ensure that this level of detail is tracked and that it complies with the requirement. Additional disclosures will also be required regarding methods used to allocate costs for program and support functions.

3. Nonprofits will continue to report the change in total net assets for the period, and will also need to report the amount of change in each of the two classes of net assets in the statement of activities. While presenting an intermediate measure of operations is still allowed, enhanced disclosures will be required. Investment income will now be reported after deducting external and direct internal investment expenses. The disclosure of investment expenses is permitted, but it will no longer be required, except for the disclosure of the amount of internal salaries and benefits that have been netted (if any) against investment return.

4. Under the new guidance, nonprofits may present operating cash flows using either the direct or indirect method, but organizations will no longer be required to present or disclose the indirect method reconciliation if the direct method is used. This is intended to provide greater flexibility and the freedom to choose the method that best serves each entity's informational needs.

5. New disclosures will be necessary for the management of liquidity and the financial assets available to meet near-term demands for cash. The disclosure will include both quantitative and qualitative information, including factors that may impact the financial availability, such as the nature, imposed external limits, or imposed internal limits. The time horizon for the quantitative disclosures is one year, and footnote disclosure is only required in circumstances where information is not apparent on the statement of financial position.

Adoption of ASU 2016-14 will result in significant changes to financial reporting and disclosures for nonprofits. With early adoption permitted for future year-ends, and the final implementation deadline quickly approaching, we encourage organizations to begin preparing now for this transition. Our guidance and tools can help your organization with the implementation process.

This communication is intended solely for the information and use of the Board of Directors and management of El Camino Real Alliance and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Glendora, CA
REPORT DATE

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries				
Reclassifying Journal Entries JE # 1		**3000.01**		
To reclassify other change in pension out of fund balance.				
9760	Fund Balance		16,196,781.00	
CLA1	Other Change in Pension			16,196,781.00
Total			**16,196,781.00**	**16,196,781.00**
	Total Reclassifying Journal Entries		**16,196,781.00**	**16,196,781.00**
	Total All Journal Entries		**16,196,781.00**	**16,196,781.00**