

EL CAMINO REAL ALLIANCE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

OPERATING:

El Camino Real Charter High School

**EL CAMINO REAL ALLIANCE
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018**

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
STATEMENT OF FUNCTIONAL EXPENSES	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE	18
SCHEDULE OF INSTRUCTIONAL TIME	19
SCHEDULE OF AVERAGE DAILY ATTENDANCE	20
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS	21
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	22
NOTES TO SUPPLEMENTARY INFORMATION	23
INDEPENDENT AUDITORS' 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	24
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	26
INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE	28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	30
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	32

INDEPENDENT AUDITORS' REPORT

Board of Directors
El Camino Real Alliance
Woodland Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of El Camino Real Alliance (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2018, 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.

Auditors' 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.

Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated REPORT DATE 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 on 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, California
REPORT DATE

EL CAMINO REAL ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 8,451,229
Investments	7,041,911
Accounts Receivable	1,291,003
Prepaid Expenses and Other Assets	70,429
Total Current Assets	<u>16,854,572</u>

LONG-TERM ASSETS

Property, Plant, and Equipment, Net	6,875,225
Total Long-Term Assets	<u>6,875,225</u>

Total Assets	<u><u>\$ 23,729,797</u></u>
--------------	-----------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 204,275
Accrued Liabilities	1,852,462
Deferred Revenue	710,460
Total Current Liabilities	<u>2,767,197</u>

LONG-TERM LIABILITIES

Retirement Obligations	8,995,650
Total Long-Term Liabilities	<u>8,995,650</u>

NET ASSETS

Unrestricted	11,901,975
Temporarily Restricted	64,975
Total Net Assets	<u>11,966,950</u>

Total Liabilities and Net Assets	<u><u>\$ 23,729,797</u></u>
----------------------------------	-----------------------------

See accompanying Notes to Financial Statements.

**EL CAMINO REAL ALLIANCE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
State Revenue:			
State Aid	\$ 22,206,675	\$ -	\$ 22,206,675
Other State Revenue	4,667,927	-	4,667,927
Federal Revenue:			
Grants and Entitlements	1,403,626	-	1,403,626
Local Revenue:			
In-Lieu Property Tax Revenue	8,003,068	-	8,003,068
Investment Income	46,850	-	46,850
Other Revenue	2,246,230	-	2,246,230
Net Assets Released from Restrictions	<u>197,080</u>	<u>(197,080)</u>	<u>-</u>
Total Revenues	38,771,456	(197,080)	38,574,376
EXPENSES			
Program Services	36,947,138	-	36,947,138
Management and General	<u>2,947,216</u>	<u>-</u>	<u>2,947,216</u>
Total Expenses	39,894,354	-	39,894,354
CHANGE IN NET ASSETS	(1,122,898)	(197,080)	(1,319,978)
Other Change in Net Assets (See Note 9)	<u>16,196,781</u>	<u>-</u>	<u>16,196,781</u>
CHANGE IN NET ASSETS AFTER OTHER CHANGE	15,073,883	(197,080)	14,876,803
Net Assets - Beginning of Year	<u>(3,171,908)</u>	<u>262,055</u>	<u>(2,909,853)</u>
NET UNRESTRICTED ASSETS - END OF YEAR	<u><u>\$ 11,901,975</u></u>	<u><u>\$ 64,975</u></u>	<u><u>\$ 11,966,950</u></u>

See accompanying Notes to Financial Statements.

**EL CAMINO REAL ALLIANCE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 14,876,803
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	191,290
Unrealized Losses on Investments	8,149
Change in Retirement Liability	(15,324,524)
Change in Operating Assets:	
Accounts Receivable	560,336
Prepaid Expenses and Other Assets	420,854
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	109,531
Deferred Revenue	170,460
Net Cash Provided by Operating Activities	<u>1,012,899</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(1,084,088)
Purchases of Property, Plant, and Equipment	<u>(2,561,776)</u>
Net Cash Used by Investing Activities	(3,645,864)

NET CHANGE IN CASH AND CASH EQUIVALENTS

(2,632,965)

Cash and Cash Equivalents - Beginning of Year

11,084,194

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 8,451,229

EL CAMINO REAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Total Expenses
Salaries and Wages	\$ 18,152,002	\$ 308,616	\$ 18,460,618
Pension Expense	6,447,772	179,855	6,627,627
Other Employee Benefits	3,537,359	45,874	3,583,233
Payroll Taxes	452,237	8,574	460,811
Management Fees	-	302,039	302,039
Legal Expenses	-	151,246	151,246
Accounting Expenses	57,138	133,322	190,460
Instructional Materials	532,528	560,787	1,093,315
Other Fees for Services	2,220,413	450,732	2,671,145
Advertising and Promotion Expenses	7,886	-	7,886
Office Expenses	166,392	-	166,392
Information Technology Expenses	39,376	-	39,376
Occupancy Expenses	1,924,300	502,207	2,426,507
Travel Expenses	116,988	-	116,988
Depreciation Expense	191,290	-	191,290
Insurance Expense	-	174,591	174,591
Other Expenses	3,101,457	129,373	3,230,830
	<u>\$ 36,947,138</u>	<u>\$ 2,947,216</u>	<u>\$ 39,894,354</u>
Total			

See accompanying Notes to Financial Statements.

**EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

El Camino Real Alliance (the School) is a nonprofit benefit corporation under the laws of the state of California for the purpose of managing and operating public charter schools located in Woodland Hills. The School is economically dependent on state and federal funding. For the year ended June 30, 2018, the School operated one public charter school: El Camino Real Charter High School. The school services students in grades nine through twelve.

The charter may be revoked by the Los Angeles Unified School District (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. 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.

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.

**EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Academy 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 currently has \$64,975 in temporarily restricted net assets which were comprised of the following:

College Readiness Block Grant	\$ 64,975
Total	<u>\$ 64,975</u>

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, 2018. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities if they are material.

EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The School does not allow employees to carryover unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2018.

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 nonprofit 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 Academy 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.

Subsequent Events

The School has evaluated subsequent events through REPORT DATE, the date these financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

The School also maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). 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.

**EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 INVESTMENTS

Investments are stated at fair value and consist of the following:

<u>Investment Type (Level 1)</u>	<u>Amount</u>
Certificates of Deposit	\$ 7,041,911
Total	<u>\$ 7,041,911</u>

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Interest and investment revenues are reported net of related investment expense in the statement of activities. The following schedule summarizes the interest and investment income reported in the statement of activities:

Interest and Divident Income	\$ 83,404
Fees	(28,405)
Unrealized Loss	(8,149)
Total Investment Return	<u>\$ 46,850</u>

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

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Construction in progress consists of the School updating the information technology system and infrastructure. This project is funded by general funds and is schedule to be completed in next fiscal year. Depreciation expense for the year ended June 30, 2018 was \$191,290.

**EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

The components of property, plant, and equipment as of June 30, 2018 are as follows:

Land	\$ 2,019,964
Building	1,659,093
Construction in Progress	2,319,612
Leasehold Improvements	1,161,185
Equipment, Furniture, and Fixtures	1,063,550
Total	<u>8,223,404</u>
Less: Accumulated Amortization	<u>(1,348,179)</u>
Total Property, Plant, and Equipment	<u><u>\$ 6,875,225</u></u>

NOTE 5 EMPLOYEE RETIREMENT

Multi-Employer Defined Benefit Pension Plans

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

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

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. 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, 2017, total STRS plan net assets are \$210 billion, the total actuarial present value of accumulated plan benefits is \$362 billion, contributions from all employers totaled \$4.2 billion, and the plan is 62.6% funded. The School did not contribute more than 5% of the total contributions to the plan.

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

**EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

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, 2018 was 14.43% 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:

<u>Year Ended June 30</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2016	\$ 1,598,786	100%
2017	\$ 1,827,682	100%
2018	\$ 2,077,995	100%

Public Employees' Retirement System (PERS)

Plan Description

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public 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. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2017, the School Employer Pool total plan assets are \$61 billion, the total pension liability is \$84.9 billion, contributions from all employers totaled \$1.8 billion, and the plan is 72.1% funded.

The School did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and www.calpers.ca.gov.

Funding Policy

Active plan members brought into PERS membership prior to January 1, 2013, are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.0% 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 CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2018 was 15.531%. The contribution requirements of the plan members are established and may be amended by state statute.

**EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Funding Policy (Continued)

The School's contributions to PERS for each of the last three years are as follows:

<u>Year Ended June 30</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2016	\$ 367,967	100%
2017	\$ 417,459	100%
2018	\$ 482,743	100%

Defined Benefit Plan

Plan Description

The School provides post-employment benefits other than pensions (OPEB) to employees who meet certain criteria. As a result of offering such benefits, the School is required to report the value of such benefits and the associated costs. The School provides medical, dental and vision benefits to eligible retirees and their covered eligible dependents. The School pays the cost for eligible retirees, spouses, and dependents. All active employees who retire directly from the Academy and meet the eligibility criteria may participate.

The following represents the requirements necessary to receive benefits:

Pre-Charter Employees (Certificated and Classified)

Employees Hired Prior to April 1, 2009 – Retirees with years and service totaling at least 80 with at least 15 consecutive years immediately prior to retirement qualify for lifetime paid medical, dental and vision benefits for themselves and their spouse.

Employees Hired on or after April 1, 2009 – Retirees with years and service totaling at least 85, with at least 25 consecutive years immediately prior to retirement qualify for lifetime paid medical, dental and vision benefits for themselves and their spouse.

Exception for Those Not Retiring Under CalSTRS/CalPERS – Retirees age 63 with at least 10 consecutive years with the School.

Employees Hired after July 1, 2011 – Retirees with years and service totaling at least 85, with at least 25 consecutive years immediately prior to retirement qualify for lifetime paid medical, dental and vision benefits for themselves and their spouse.

Exception for Those Not Retiring Under CalSTRS/CalPERS – Retirees age 63 with at least 15 consecutive years with the School.

EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)

Defined Benefit Plan (Continued)

Medical Plans

Retirees may enroll in any of the following available medical plans:

- Pre-65 medical: Blue Cross Select HMO, Kaiser-High, Blue Cross PPO Low
- Post-65 Medical: Medicare Advantage Plan
- Dental: Deltacare HMO
- Vision: VSP Vision

The following tables set forth further information about the School's postretirement health benefit plan obligation and funded status:

Accumulated Postretirement Benefit Obligation	\$ (17,322,770)
Fair Value of Plan Assets	<u>8,327,120</u>
Funded Status	<u><u>\$ (8,995,650)</u></u>

Number of Plan Participants

Actives	215
Retirees and Surviving Spouses	<u>9</u>
Total	<u><u>224</u></u>

Discount Rate	3.97 %
---------------	--------

<u>Assumed Increase in Per-Capita Claim Costs</u>	<u>Medical</u>	<u>Dental and Vision</u>
Health Care Cost Trend Rate Assumed for Next Year - Pre-65	7.00 %	4.50 %
Health Care Cost Trend Rate Assumed for Next Year - Post-65	7.00 %	4.50 %
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.50 %	4.50 %
Year that the Rate Reaches the Ultimate Trend Rate	69 Years	71 Years

Total FAS Expense for the Year

Discount Rate	3.97 %
Service Cost	\$ 1,913,254
Interest Cost	1,161,203
Expected Return on Assets	(205,015)
Amortization of Unrecognized:	
Loss (Gain)	318,292
Prior Service Cost	87,619
Transition Obligation	<u>780,086</u>
Total Expense	<u><u>\$ 4,055,439</u></u>

<u>Sensitivity Measurement of Discount Rate</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
APBO	\$ 3,966,855	\$ (3,056,430)

**EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)

Defined Benefit Plan (Continued)

Medical Plans (Continued)

The following is a projection of postretirement costs under the plan:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 287,644
2020	314,611
2021	339,135
2022	386,675
2023-2027	2,994,217

NOTE 6 OPERATING LEASES

The School leases two facilities from LAUSD. One lease agreement is on an annual basis and pending LAUSD approval. The other lease term is in line with the School's charter which commenced on July 1, 2016 with the term ending on June 30, 2021. The lease is payable annually in the amount of 10% of Average Daily Attendance at the site or \$72,000, whichever is greater. Lease expense under these agreements for the year ended June 30, 2018 was \$353,917.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 403,937
2020	403,937
2021	403,937
Total	<u>\$ 1,211,811</u>

NOTE 7 JOINT POWERS AUTHORITY

The School entered into a Joint Powers Agreement (JPA) known as the California Charter School Association Joint Powers Authority (CCSA-JPA); a self-insurance plan for workers' compensation, property/casualty, and school board liability insurance. The CCSA JPA is governed by a board of five members, two of which represent member organizations. The board controls the operation of the CCSA-JPA including selection of management and approval of operating budgets independent of any influence by the member organization beyond their representation on the board. Each member organization pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the CCSA-JPA. The CCSA-JPA is a 501(c) agency trust, which is audited by an independent accounting firm.

**EL CAMINO REAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 CONTINGENCIES

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

NOTE 9 OTHER CHANGE IN NET ASSETS

The other change in net assets for \$16,196,781 is due to a significant decrease in the OPEB unfunded liability balance. This is a result of post 65 retirees signing on to Medicare Advantage.

- Tentative Report
For Discussion Purposes Only
Subject to Revision

SUPPLEMENTARY INFORMATION

- Tentative Report
For Discussion Purposes Only
Subject to Revision

**EL CAMINO REAL ALLIANCE
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2018**

El Camino Real Alliance (the School) was established in 2011 when it was granted its charter through Los Angeles Unified School District (the District) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Charter School number authorized by the State: 1314

The Board of Directors and the Administrators as of the year ended June 30, 2018 were as follows:

BOARD OF DIRECTORS

Member	Office	Term Expires (3 year term)
Jonathan Wasser	Chair	June 2020
Beatriz Chen	Member	June 2018
Lisa Crosthwait	Member	June 2020
Steven Kofahl	Member	June 2020
Julie Kornack	Member	June 2019
Darin Ryburn	Member	June 2019
Scott Silverstein	Member	June 2019
Bruce Takeguma	Member	June 2019
Diane Wynne	Member	June 2018

ADMINISTRATORS

David Hussey	Executive Director
--------------	--------------------

**EL CAMINO REAL ALLIANCE
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018**

	Instructional Minutes		Traditional	Status
	Requirement	Actual	Calendar Days	
Grade 9	64,800	64,944	180	In compliance
Grade 10	64,800	64,944	180	In compliance
Grade 11	64,800	64,944	180	In compliance
Grade 12	64,800	64,944	180	In compliance

See accompanying Auditors' Report and the Notes to Supplementary Information

**EL CAMINO REAL ALLIANCE
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades 9-12	3,246.32	3,316.99	3,199.09	3,273.57
ADA Totals	3,246.32	3,316.99	3,199.09	3,273.57

**EL CAMINO REAL ALLIANCE
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

There were no reclassifications or adjustments for the year ended June 30, 2018.

- Tentative Report
For Discussion Purposes Only
Subject to Revision

**EL CAMINO REAL ALLIANCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total
U.S. Department of Education			
Pass-Through Program from California			
Department of Education:			
No Child Left Behind Act:			
Title I, Part A, Basic Grants:			
Low-Income and Neglected	84.010	14329	\$ 300,737
Title II, Part A, Teacher Quality	84.367	14341	65,451
Special Education IDEA, Part B	84.027	13379	645,221
Advanced Placement Program	84.330	14831	90,320
<i>Total U.S. Department of Education</i>			<u>1,101,729</u>
U.S. Department of Agriculture			
Pass-Through Program from California			
Department of Education:			
Child Nutrition Program	10.555	N/A	301,897
<i>Total U.S. Department of Agriculture</i>			<u>301,897</u>
 Total Federal Expenditures			 <u><u>\$ 1,403,626</u></u>

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

**EL CAMINO REAL ALLIANCE
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

PURPOSE OF SCHEDULES

NOTE 1 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 46206.

NOTE 2 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.

NOTE 3 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.

NOTE 4 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, 2018. 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.

NOTE 5 INDIRECT COST RATE

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

**INDEPENDENT AUDITORS' 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
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 (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2018, 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 REPORT DATE.

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.

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 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 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, California
REPORT DATE

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

Board of Directors
El Camino Real Alliance
Woodland Hills, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of El Camino Real Alliance (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, 2018. 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, 2018.

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, California
REPORT DATE

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
El Camino Real Alliance
Woodland Hills, California

We have audited El Camino Real Alliance's (the School) compliance with the types of compliance requirements described in the *2017-2018 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, 2018. 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 *2017-2018 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	Not applicable
Before/After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

<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
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Yes
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

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, 2018.

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 *2017-2018 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, California
REPORT DATE

**EL CAMINO REAL ALLIANCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. 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
84.027	Special Education IDEA, Part B
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u> x </u> yes _____ no

**EL CAMINO REAL ALLIANCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

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

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**EL CAMINO REAL ALLIANCE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

El Camino Real Charter High School respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2018.

Audit period: Fiscal 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.

- Tentative Report
For Discussion Purposes Only
Subject to Revision