

# **ACADEMY OF ARTS & SCIENCES**

## **AUDIT REPORT**

**FOR THE YEAR ENDED**

**JUNE 30, 2016**

**A NONPROFIT PUBLIC BENEFIT CORPORATION  
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOLS**

Academy of Arts and Sciences: Del Mar Elementary (K-5)

Academy of Arts and Sciences: Del Mar Middle & High (6-12)

Academy of Arts and Sciences: El Cajon Elementary (K-5)

Academy of Arts and Sciences: El Cajon Middle & High (6-12)

Academy of Arts and Sciences: Oxnard & Ventura

Academy of Arts and Sciences: Sonoma

Academy of Arts and Sciences: Thousand Oaks & Simi Valley

Academy of Arts and Sciences Fresno

Academy of Arts and Sciences Los Angeles 9-12

Academy of Arts and Sciences Los Angeles K-8

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## FINANCIAL SECTION

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DRAFT 11.8.16

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Academy of Arts & Sciences  
Thousand Oaks, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Academy of Arts & Sciences (the "Academy") 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 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 **qualified opinion**.

### **Basis for Qualified Opinion**

We were not provided with information about expenses reported by their functional classification, such as major classes of program services and supporting activities, because the Academy's has not allocated costs by these functional categories. In our opinion, allocation of expenses by functional classification is required by accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described above in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Academy of Arts & Sciences as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of Academy of Arts & Sciences taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 our report dated November 4, 2016, on our consideration of the Academy'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 the Academy's internal control over financial reporting and compliance.

San Diego, California

November 4, 2016

ACADEMY OF ARTS & SCIENCES  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016

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**ASSETS**

|                           |                      |
|---------------------------|----------------------|
| Current assets            |                      |
| Cash and cash equivalents | \$ 16,466,351        |
| Investments               | 5,000,000            |
| Accounts receivable       | 933,524              |
| <b>Total Assets</b>       | <u>\$ 22,399,875</u> |

**LIABILITIES AND NET ASSETS**

|   |                      |
|---|----------------------|
| Liabilities                             |                      |
| Accounts payable                        | \$ 6,944,726         |
| Deferred revenue                        | 62,400               |
| <b>Total liabilities</b>                | <u>7,007,126</u>     |
| Net assets                              |                      |
| Unrestricted                            | 15,188,287           |
| Temporarily restricted                  | 204,462              |
| <b>Total net assets</b>                 | <u>15,392,749</u>    |
| <b>Total Liabilities and Net Assets</b> | <u>\$ 22,399,875</u> |

DRAFT 11.8.16

The notes to the financial statements are an integral part of this statement.

**ACADEMY OF ARTS & SCIENCES  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

|  | Unrestricted         | Temporarily<br>Restricted | Total                |
|--|----------------------|---------------------------|----------------------|
| <b>SUPPORT AND REVENUES</b>              |                      |                           |                      |
| State support and revenues               |                      |                           |                      |
| Local control funding formula, state aid | \$ 10,144,906        | \$ -                      | \$ 10,144,906        |
| Other state revenues                     | 3,739,745            | 191,823                   | 3,931,568            |
| <b>Total state support and revenues</b>  | <b>13,884,651</b>    | <b>191,823</b>            | <b>14,076,474</b>    |
| Local support and revenues               |                      |                           |                      |
| Payments in lieu of property taxes       | 2,070,967            | -                         | 2,070,967            |
| Investment income, net                   | 15,543               | -                         | 15,543               |
| Other local revenues                     | 28,288               | -                         | 28,288               |
| <b>Total local support and revenues</b>  | <b>2,114,798</b>     | <b>-</b>                  | <b>2,114,798</b>     |
| Donor restrictions satisfied             | 17,647               | (17,647)                  | -                    |
| <b>Total Support and Revenues</b>        | <b>16,017,096</b>    | <b>174,176</b>            | <b>16,191,272</b>    |
| <b>Expenses</b>                          |                      |                           |                      |
| Charter school operations                | 14,336,276           | -                         | 14,336,276           |
| Other operations                         | 41,812               | -                         | 41,812               |
| <b>Total Expenses</b>                    | <b>14,378,088</b>    | <b>-</b>                  | <b>14,378,088</b>    |
| <b>CHANGE IN NET ASSETS</b>              | <b>1,639,008</b>     | <b>174,176</b>            | <b>1,813,184</b>     |
| <b>Net Assets - Beginning</b>            | <b>13,549,279</b>    | <b>30,286</b>             | <b>13,579,565</b>    |
| <b>Net Assets - Ending</b>               | <b>\$ 15,188,287</b> | <b>\$ 204,462</b>         | <b>\$ 15,392,749</b> |

The notes to the financial statements are an integral part of this statement.

**ACADEMY OF ARTS & SCIENCES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

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|  |                      |
|--|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                      |
| Change in net assets   | \$ 1,813,184         |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities |                      |
| (Increase) decrease in operating assets  |                      |
| Accounts receivable  | 6,127,856            |
| Increase (decrease) in operating liabilities   |                      |
| Accounts payable   | 5,509,958            |
| Deferred revenue   | 62,400               |
| <b>Net cash provided by (used in) operating activities</b>   | <u>13,513,398</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                      |
| Transfer to investment account   | (5,000,000)          |
| <b>Net cash provided by (used in) investing activities</b>   | <u>(5,000,000)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                      |
| Principal payments on loans payable  | (1,149,316)          |
| <b>Net cash provided by (used in) financing activities</b>   | <u>(1,149,316)</u>   |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | 7,364,082            |
| <b>Net cash and cash equivalents - Beginning</b>   | <u>9,102,269</u>     |
| <b>Net cash and cash equivalents - Ending</b>  | <u>\$ 16,466,351</u> |
| <b>SUPPLEMENTAL DISCLOSURE</b>   |                      |
| Cash paid on interest  | <u>\$ 5,068</u>      |

The notes to the financial statements are an integral part of this statement.



**ACADEMY OF ARTS & SCIENCES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Academy of Arts & Sciences (the “Academy”), was formed as a nonprofit public benefit corporation on October 28, 2011 for the purpose of operating California public schools in. Academy of Arts & Sciences operated ten (10) public charter schools during the fiscal year ended June 30, 2016. The authorizing districts are as follows:

| Charter School  | Charter No. | Classes Began | Authorizing Agency | County      |
|---|-------------|---------------|--------------------|-------------|
| Academy of Arts and Sciences: Del Mar Elementary (K-5)      | 1452        | 8/27/2012     | MEUSD              | San Diego   |
| Academy of Arts and Sciences: Del Mar Middle & High (6-12)  | 1454        | 8/27/2012     | MEUSD              | San Diego   |
| Academy of Arts and Sciences: El Cajon Elementary (K-5)     | 1451        | 8/19/2013     | MEUSD              | San Diego   |
| Academy of Arts and Sciences: El Cajon Middle & High (6-12) | 1453        | 8/15/2012     | MEUSD              | San Diego   |
| Academy of Arts and Sciences: Oxnard & Ventura              | 1456        | 8/15/2012     | MESD               | Ventura     |
| Academy of Arts and Sciences: Sonoma                        | 1457        | 9/28/2012     | CRPUSD             | Sonoma      |
| Academy of Arts and Sciences: Thousand Oaks & Simi Valley   | 1455        | 8/15/2012     | MESD               | Ventura     |
| Academy of Arts and Sciences Fresno                         | 1631        | 7/1/2014      | OC                 | Fresno      |
| Academy of Arts and Sciences: Los Angeles (9-12)            | 1651        | 7/1/2014      | AADUSD             | Los Angeles |
| Academy of Arts and Sciences: Los Angeles (K-8)             | 1652        | 7/1/2014      | AADUSD             | Los Angeles |

The authorizing agencies are as follows: Mountain Empire Unified School District (MEUSD), Mupu Elementary School District (MESD), Cotati-Rohnert Park Unified School District (CRPUSD), Orange Center School District (OC), and Acton-Agua Dulce Unified School District (AADUSD).

Academy of Arts & Sciences’ mission is to create future leaders passionate about making a positive contribution to their local and global communities in the arts and sciences. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

**B. Financial Statement Presentation**

Academy of Arts & Sciences is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Directors and management’s discretion in carrying out the activities of the organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support operations. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Academy’s financial statement presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

The Academy's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Academy of Arts & Sciences. Revenues are recognized by the Academy when earned.

G. Cash and Cash Equivalents

Academy of Arts & Sciences considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Investments

The Academy's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2016, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

J. Capital Assets

Academy of Arts & Sciences has not yet adopted a policy to capitalize asset purchases in conformance with generally accepted accounting principles because the Academy does not own, nor does it plan to acquire, property or equipment of significant value.

K. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

L. Income Taxes

Academy of Arts & Sciences is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Academy is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As an organization operating a school, the Academy is not required to register with the California Attorney General as a charity.

The Academy's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Academy's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2     Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3     Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2016, consist of the following:

|  |                      |
|--|----------------------|
| Cash in banks, non-interest bearing    | \$ 13,357,320        |
| Cash in county treasury                | 3,109,031            |
| <b>Total Cash and Cash Equivalents</b> | <b>\$ 16,466,351</b> |

Cash in Banks – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Academy of Arts & Sciences does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2016, \$13,321,823 of Academy of Arts & Sciences’ bank balance was exposed to custodial credit risk as there were deposits over \$250,000 at Chase Bank.

Cash in County Treasury

Academy of Arts & Sciences is a voluntary participant in an external investment pool for some of its charter schools. The fair value of the Academy’s investment in the pool is reported in the financial statements at amounts based upon the Academy’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

**ACADEMY OF ARTS & SCIENCES**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – CASH AND CASH EQUIVALENTS (continued)**

**Cash in County Treasury (continued)**

Except for investments by trustees of debt proceeds, the authority to invest Academy funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

| Authorized<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
|---|----------------------------------|---------------------------------------|--|
| Local Agency Bonds, Notes, Warrants     | 5 years                          | None                                  | None                                   |
| Registered State Bonds, Notes, Warrants | 5 years                          | None                                  | None                                   |
| U.S. Treasury Obligations               | 5 years                          | None                                  | None                                   |
| U.S. Agency Securities                  | 5 years                          | None                                  | None                                   |
| Banker's Acceptance                     | 180 days                         | 40%                                   | 30%                                    |
| Commercial Paper                        | 270 days                         | 25%                                   | 10%                                    |
| Negotiable Certificates of Deposit      | 5 years                          | 30%                                   | None                                   |
| Repurchase Agreements                   | 1 year                           | None                                  | None                                   |
| Reverse Repurchase Agreements           | 92 days                          | 20% of base                           | None                                   |
| Medium-Term Corporate Notes             | 5 years                          | 30%                                   | None                                   |
| Mutual Funds                            | N/A                              | 20%                                   | 10%                                    |
| Money Market Mutual Funds               | N/A                              | 20%                                   | 10%                                    |
| Mortgage Pass-Through Securities        | 5 years                          | 20%                                   | None                                   |
| County Pooled Investment Funds          | N/A                              | None                                  | None                                   |
| Local Agency Investment Fund (LAIF)     | N/A                              | None                                  | None                                   |
| Joint Powers Authority Pools            | N/A                              | None                                  | None                                   |

**NOTE 3 – INVESTMENTS**

The Academy held \$5,000,000 in investments as of June 30, 2016. These investments are held in certificates of deposit and are the only funds classified as investments in the statement of financial position. The investment is carried at amortized cost. Certificates of deposit do not qualify as securities as defined in FASB ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2016 consists of the following:

|                                       |           |                |
|---------------------------------------|-----------|----------------|
| Local control funding formula sources | \$        | 415,498        |
| Other state sources                   |           | 518,026        |
| <b>Total Accounts Receivable</b>      | <b>\$</b> | <b>933,524</b> |

ACADEMY OF ARTS & SCIENCES  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2016 consists of the following:

|                               |           |                  |
|-------------------------------|-----------|------------------|
| Due to grantor governments    | \$        | 6,382,879        |
| Due to authorizing agencies   |           | 115,167          |
| Vendor payables               |           | 446,680          |
| <b>Total Accounts Payable</b> | <b>\$</b> | <b>6,944,726</b> |

NOTE 6 – LOANS PAYABLE

**Charter School Revolving Loans**

In May 2013, all charters schools of the Academy in operation at that time, with the exception of the Academy of Arts and Sciences: Sonoma, were approved to borrow \$250,000 per school through the Charter School Revolving Loan Fund administered by the California Department of Education (CDE). Effective July 1, 2013, the administration of the fund was transferred from the CDE to the California School Finance Authority (CSFA). An additional \$250,000 was loaned through the Charter Revolving Loan Fund in July 2014 for two additional charter schools. The Charter School Revolving Loan Fund was established to provide low-interest loans to new charter schools to help meet purposes established in the schools' charter petitions.

All initial funds totaling \$1,250,000 were received by the Academy in June 2014. Each of these loans was to be repaid over a four-year period commencing August 2013 and ending January 2017. An additional \$500,000 was received in July 2014. The revolving loans bore an annualized interest rate equal to the "prime rate" of 0.26%. At the start of the fiscal year, the full amount for all outstanding loans combined was \$1,149,316. All loans were repaid during the fiscal year ending June 30, 2016 and no outstanding balances existed as of June 30, 2016.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily net assets at June 30, 2016 consisted of the following:

|  |           |                |
|--|-----------|----------------|
| State imposed restrictions                     |           |                |
| California Clean Energy Jobs Act               | \$        | 30,286         |
| Educator Effectiveness                         |           | 174,176        |
| <b>Total Temporarily Restricted Net Assets</b> | <b>\$</b> | <b>204,462</b> |

**ACADEMY OF ARTS & SCIENCES**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charters have made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS). The Academy offers all employees social security as an alternative plan to those who may not qualify for CalSTRS.

**California State Teachers’ Retirement System (CalSTRS)**

**Plan Description**

Academy of Arts & Sciences contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. 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, 7667 Folsom Boulevard; Sacramento, California 95826.

**Funding Policy**

Active plan members are required to contribute 8.56% of their 2015-16 salary. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Academy of Arts & Sciences’ contributions to CalSTRS for the past three years are as follows:

|         | <u>Contribution</u> | <u>Percent of Required<br/>Contribution</u> |
|---------|---------------------|---|
| 2015-16 | \$ 359,120          | 100%  |
| 2014-15 | \$ 581,189          | 100%  |
| 2013-14 | \$ 75,894           | 100%  |

**On-Behalf Payments**

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Academy of Arts & Sciences charter schools in operation during 2013-14 is estimated at \$65,553 (7.126% of creditable compensation subject to CalSTRS in 2013-14).

**NOTE 9 – RELATED PARTY TRANSACTIONS**

**Authorizing Agency**

The Charters make payments to the authorizing agencies specified in Note 1A, to provide purchased services in addition to fees for oversight. In accordance with *California Education Code 47613(a)*, the authorizing agency may charge actual costs of oversight not to exceed 1% of revenue from local control funding formula sources. Total oversight fees paid or payable to the authorizing agencies amounted to \$390,022 for the fiscal year ended June 30, 2016.

**ACADEMY OF ARTS & SCIENCES**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 9 – RELATED PARTY TRANSACTIONS (continued)**

**Inter-Academy Activity**

Receivables and payables due between the Charters are classified as due to/from related entities within the Statement of Financial Position by Charter. Cash in bank balances are maintained by the Academy as a whole and are noted as due from related entities within the Statement of Position by Charter. Additionally, some charter schools covered certain operating expenses during the fiscal year ending June 30, 2016. Inter-Academy transactions and balances are eliminated in the financial statements of Academy of Arts & Sciences to better reflect the true activities of the corporation.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**Governmental Funds**

Academy of Arts & Sciences has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. The Academy has undergone certain reviews and has experienced certain expenditure disallowances under the terms of the grants, which have been recorded in the financial statements. Any future such audits could generate additional expenditure disallowances under funding terms; however, it is believed that any required reimbursements would not be material.

**Multi-employer Defined Benefit Plan Participation**

Under current law on multiemployer defined benefit plans, the Academy's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Academy to make payments to the plan, which would approximate the Academy's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Academy's share of withdrawal liability is approximately \$4,037,244 as of June 30, 2015. The Academy does not currently intend to have its operated charter schools withdraw from CalSTRS. Refer to Note 8 for additional information on employee retirement plans.

**NOTE 11 – SUBSEQUENT EVENTS**

Academy of Arts & Sciences has evaluated subsequent events for the period from June 30, 2016 through **November 5, 2016**, the date the financial statements were available to be issued.

Effective June 30, 2016, the following charter schools discontinued operations due to voluntary closures with the intent to merge operations into the remaining charter schools:

| Charter School                     | Charter No. | County      | Status |
|------------------------------------|-------------|-------------|--------|
| AAS: Del Mar Elementary (K-5)      | 1452        | San Diego   | Closed |
| AAS: El Cajon Elementary (K-5)     | 1451        | San Diego   | Closed |
| AAS: El Cajon Middle & High (6-12) | 1453        | San Diego   | Closed |
| AAS: Oxnard & Ventura              | 1456        | Ventura     | Closed |
| AAS: Los Angeles (K-8)             | 1652        | Los Angeles | Closed |



**NOTE 11 – SUBSEQUENT EVENTS** (*continued*)

Nonclassroom-based funding determinations for the period of July 1, 2016 through June 30, 2021 were initially denied for not meeting certain funding determination criteria; therefore, the Academy submitted mitigating circumstance requests to the State Board of Education (SBE). In a meeting held on June 7, 2016 of the Advisory Commission on Charter Schools (ACCS), an advisory body to the SBE, recommended that the SBE deny the mitigating circumstances for the remaining operated charter schools. As a result of the denied funding determinations, the charter schools operated by the Academy are not eligible for funding based on nonclassroom-based instruction from local control funding formula sources. These state funding sources represent over sixty-percent of the Academy's total revenue; therefore, the Academy will experience planned deficit spending in the subsequent fiscal year.

Management did not identify any other transactions that require disclosure or that would have an impact on the financial statements.

DRAFT 11.8.16

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**SUPPLEMENTARY INFORMATION SECTION**

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DRAFT 11.8.16

**ACADEMY OF ARTS & SCIENCES**  
**STATEMENT OF FINANCIAL POSITION BY CHARTER**  
**JUNE 30, 2016**

| California Charter No.                  | San Diego County      |                          |                        |                           | Ventura County      |                       | Sonoma County       | Fresno County     | Los Angeles County      |                        |
|---|-----------------------|--------------------------|------------------------|---------------------------|---------------------|-----------------------|---------------------|-------------------|-------------------------|------------------------|
|   | 1452                  | 1454                     | 1451                   | 1453                      | 1456                | 1455                  | 1457                | 1631              | 1651                    | 1652                   |
|   | Del Mar<br>Elementary | Del Mar<br>Middle & High | El Cajon<br>Elementary | El Cajon<br>Middle & High | Oxnard &<br>Ventura | Oaks & Simi<br>Valley | Sonoma              | Fresno            | Los Angeles<br>(9 - 12) | Los Angeles<br>(K - 8) |
| Thousand                                |                       |                          |                        |                           |                     |                       |                     |                   |                         |                        |
| <b>ASSETS</b>                           |                       |                          |                        |                           |                     |                       |                     |                   |                         |                        |
| Current assets                          |                       |                          |                        |                           |                     |                       |                     |                   |                         |                        |
| Cash and cash equivalents               | \$ 30,758             | \$ 177,168               | \$ 7,807               | \$ 11,649                 | \$ -                | \$ -                  | \$ 2,700,605        | \$ 181,044        | \$ -                    | \$ -                   |
| Accounts receivable                     | 32,432                | 51,000                   | 62,420                 | 68,425                    | 68,559              | 247,322               | 238,263             | 94,146            | 28,847                  | 42,110                 |
| Due from related entities               | 1,299,382             | 149,056                  | 3,981,468              | 3,239,891                 | 4,819,426           | 1,501,631             | -                   | 269,142           | 1,604,371               | 1,889,828              |
| <b>Total Assets</b>                     | <b>\$ 1,362,572</b>   | <b>\$ 377,224</b>        | <b>\$ 4,051,695</b>    | <b>\$ 3,319,965</b>       | <b>\$ 4,887,985</b> | <b>\$ 1,748,953</b>   | <b>\$ 2,938,868</b> | <b>\$ 544,332</b> | <b>\$ 1,633,218</b>     | <b>\$ 1,931,938</b>    |
| <b>LIABILITIES AND NET ASSETS</b>       |                       |                          |                        |                           |                     |                       |                     |                   |                         |                        |
| Current liabilities                     |                       |                          |                        |                           |                     |                       |                     |                   |                         |                        |
| Accounts payable                        | \$ 129,363            | \$ -                     | \$ 2,026,859           | \$ 1,250,791              | \$ 1,698,932        | \$ 59,302             | \$ -                | \$ 51,298         | \$ 879,857              | \$ 465,328             |
| Due to related entities                 | -                     | -                        | -                      | -                         | -                   | 156,038               | 2,802,286           | -                 | -                       | -                      |
| Deferred revenue                        | -                     | -                        | 62,400                 | -                         | -                   | -                     | -                   | -                 | -                       | -                      |
| <b>Total liabilities</b>                | <b>129,363</b>        | <b>-</b>                 | <b>2,089,259</b>       | <b>1,250,791</b>          | <b>1,698,932</b>    | <b>215,340</b>        | <b>2,802,286</b>    | <b>51,298</b>     | <b>879,857</b>          | <b>465,328</b>         |
| Net assets                              |                       |                          |                        |                           |                     |                       |                     |                   |                         |                        |
| Unrestricted                            | 1,223,985             | 365,052                  | 1,936,009              | 2,041,504                 | 3,153,300           | 1,492,283             | 122,943             | 483,355           | 740,749                 | 1,450,654              |
| Temporarily restricted                  | 9,224                 | 12,172                   | 26,427                 | 27,670                    | 35,753              | 41,330                | 13,639              | 9,679             | 12,612                  | 15,956                 |
| <b>Total net assets</b>                 | <b>1,233,209</b>      | <b>377,224</b>           | <b>1,962,436</b>       | <b>2,069,174</b>          | <b>3,189,053</b>    | <b>1,533,613</b>      | <b>136,582</b>      | <b>493,034</b>    | <b>753,361</b>          | <b>1,466,610</b>       |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 1,362,572</b>   | <b>\$ 377,224</b>        | <b>\$ 4,051,695</b>    | <b>\$ 3,319,965</b>       | <b>\$ 4,887,985</b> | <b>\$ 1,748,953</b>   | <b>\$ 2,938,868</b> | <b>\$ 544,332</b> | <b>\$ 1,633,218</b>     | <b>\$ 1,931,938</b>    |

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES  
STATEMENT OF ACTIVITIES BY CHARTER  
FOR THE YEAR ENDED JUNE 30, 2016**

| California Charter No.                                 | San Diego County      |                          |                        |                           |
|--|-----------------------|--------------------------|------------------------|---------------------------|
|  | 1452                  | 1454                     | 1451                   | 1453                      |
|  | Del Mar<br>Elementary | Del Mar<br>Middle & High | El Cajon<br>Elementary | El Cajon<br>Middle & High |
| <b>UNRESTRICTED SUPPORT AND REVENUES</b>               |                       |                          |                        |                           |
| State support and revenues                             |                       |                          |                        |                           |
| Local control funding formula, state aid               | \$ 502,362            | \$ 1,245,938             | \$ 660,983             | \$ 259,839                |
| Other state revenues                                   | 200,984               | 310,378                  | 525,951                | 531,084                   |
| Total state support and revenues                       | 703,346               | 1,556,316                | 1,186,934              | 790,923                   |
| Local support and revenues                             |                       |                          |                        |                           |
| Payments in lieu of property taxes                     | 185,158               | 413,921                  | 62,873                 | 98,553                    |
| Investment income, net                                 | 1,145                 | 1,146                    | 1,145                  | 1,145                     |
| Other local revenues                                   | 1,206                 | 2,579                    | 567                    | 766                       |
| Total local support and revenues                       | 187,509               | 417,646                  | 64,585                 | 100,464                   |
| Donor restrictions satisfied                           | 1,628                 | -                        | 4,664                  | 4,887                     |
| <b>Total Unrestricted Support and Revenues</b>         | <b>892,483</b>        | <b>1,973,962</b>         | <b>1,256,183</b>       | <b>896,274</b>            |
| <b>EXPENSES</b>  |                       |                          |                        |                           |
| Charter school operations                              | 413,109               | 2,583,498                | 178,357                | 328,268                   |
| <b>Total Expenses</b>                                  | <b>413,109</b>        | <b>2,583,498</b>         | <b>178,357</b>         | <b>328,268</b>            |
| <b>CHANGE IN UNRESTRICTED<br/>NET ASSETS</b>           |                       |                          |                        |                           |
|  | 479,374               | (609,536)                | 1,077,826              | 568,006                   |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>               |                       |                          |                        |                           |
| State restricted revenues                              | 10,852                | 12,172                   | 31,091                 | 32,557                    |
| Donor restrictions satisfied                           | (1,628)               | -                        | (4,664)                | (4,887)                   |
| <b>CHANGE IN TEMPORARILY RESTRICTED<br/>NET ASSETS</b> |                       |                          |                        |                           |
|  | 9,224                 | 12,172                   | 26,427                 | 27,670                    |
| <b>CHANGE IN NET ASSETS</b>                            |                       |                          |                        |                           |
|  | 488,598               | (597,364)                | 1,104,253              | 595,676                   |
| <b>Net Assets - Beginning</b>                          | <b>744,611</b>        | <b>974,588</b>           | <b>858,183</b>         | <b>1,473,498</b>          |
| <b>Net Assets - Ending</b>                             | <b>\$ 1,233,209</b>   | <b>\$ 377,224</b>        | <b>\$ 1,962,436</b>    | <b>\$ 2,069,174</b>       |

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES**  
**STATEMENT OF ACTIVITIES BY CHARTER, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

| California Charter No.                              | Ventura County      |                       | Sonoma County     | Fresno County     |
|---|---------------------|-----------------------|-------------------|-------------------|
|   | 1456                | 1455                  | 1457              | 1631              |
|   | Thousand            |                       |                   |                   |
|   | Oxnard &<br>Ventura | Oaks & Simi<br>Valley | Sonoma            | Fresno            |
| <b>UNRESTRICTED SUPPORT AND REVENUES</b>            |                     |                       |                   |                   |
| Federal and state support and revenues              |                     |                       |                   |                   |
| Local control funding formula, state aid            | \$ 783,391          | \$ 2,763,210          | \$ 1,494,915      | \$ 1,254,418      |
| Other state revenues                                | 601,555             | 620,987               | 316,179           | 215,689           |
| <b>Total federal and state support and revenues</b> | <b>1,384,946</b>    | <b>3,384,197</b>      | <b>1,811,094</b>  | <b>1,470,107</b>  |
| Local support and revenues                          |                     |                       |                   |                   |
| Payments in lieu of property taxes                  | 41,568              | 139,766               | 997,255           | 65,111            |
| Investment income, net                              | 1,258               | 254                   | 9,064             | 386               |
| Other local revenues                                | 3,259               | 13,593                | 5,793             | 1,545             |
| <b>Total local support and revenues</b>             | <b>46,085</b>       | <b>153,613</b>        | <b>1,012,112</b>  | <b>67,042</b>     |
| Donor restrictions satisfied                        | 3,652               | -                     | -                 | -                 |
| <b>Total Unrestricted Support and Revenues</b>      | <b>1,434,683</b>    | <b>3,537,810</b>      | <b>2,823,206</b>  | <b>1,537,149</b>  |
| <b>EXPENSES</b>                                     |                     |                       |                   |                   |
| Charter school operations                           | 404,372             | 4,049,944             | 3,364,230         | 1,656,007         |
| <b>Total Expenses</b>                               | <b>404,372</b>      | <b>4,049,944</b>      | <b>3,364,230</b>  | <b>1,656,007</b>  |
| <b>CHANGE IN UNRESTRICTED NET ASSETS</b>            |                     |                       |                   |                   |
|   | 1,030,311           | (512,134)             | (541,024)         | (118,858)         |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>            |                     |                       |                   |                   |
| State restricted revenues                           | 24,345              | 26,104                | 13,639            | 9,679             |
| Donor restrictions satisfied                        | (3,652)             | -                     | -                 | -                 |
| <b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>  | <b>20,693</b>       | <b>26,104</b>         | <b>13,639</b>     | <b>9,679</b>      |
| <b>CHANGE IN NET ASSETS</b>                         | <b>1,051,004</b>    | <b>(486,030)</b>      | <b>(527,385)</b>  | <b>(109,179)</b>  |
| <b>Net Assets - Beginning</b>                       | <b>2,138,049</b>    | <b>2,019,643</b>      | <b>663,967</b>    | <b>602,213</b>    |
| <b>Net Assets - Ending</b>                          | <b>\$ 3,189,053</b> | <b>\$ 1,533,613</b>   | <b>\$ 136,582</b> | <b>\$ 493,034</b> |

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES**  
**STATEMENT OF ACTIVITIES BY CHARTER, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

| California Charter No.                             | Los Angeles County      |                        |
|--|-------------------------|------------------------|
|  | 1651                    | 1652                   |
|  | Los Angeles<br>(9 - 12) | Los Angeles<br>(K - 8) |
| <b>UNRESTRICTED SUPPORT AND REVENUES</b>           |                         |                        |
| Federal and state support and revenues             |                         |                        |
| Local control funding formula, state aid           | \$ 260,095              | \$ 787,095             |
| Other state revenues                               | 216,174                 | 331,414                |
| Total federal and state support and revenues       | 476,269                 | 1,118,509              |
| Local support and revenues                         |                         |                        |
| Payments in lieu of property taxes                 | 15,665                  | 51,097                 |
| Investment income, net                             | -                       | -                      |
| Other local revenues                               | 354                     | 1,097                  |
| Total local support and revenues                   | 16,019                  | 52,194                 |
| Donor restrictions satisfied                       | -                       | 2,816                  |
| <b>Total Unrestricted Support and Revenues</b>     | 492,288                 | 1,173,519              |
| <b>EXPENSES</b>                                    |                         |                        |
| Charter school operations                          | 840,050                 | 518,441                |
| <b>Total Expenses</b>                              | 840,050                 | 518,441                |
| <b>CHANGE IN UNRESTRICTED NET ASSETS</b>           |                         |                        |
|  | (347,762)               | 655,078                |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>           |                         |                        |
| State restricted revenues                          | 12,612                  | 18,772                 |
| Donor restrictions satisfied                       | -                       | (2,816)                |
| <b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b> |                         |                        |
|  | 12,612                  | 15,956                 |
| <b>CHANGE IN NET ASSETS</b>                        |                         |                        |
|  | (335,150)               | 671,034                |
| <b>Net Assets - Beginning</b>                      | 1,088,511               | 795,576                |
| <b>Net Assets - Ending</b>                         | \$ 753,361              | \$ 1,466,610           |

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES  
 CHARTER EXPENSES BY OBJECT CLASSIFICATION  
 FOR THE YEAR ENDED JUNE 30, 2016**

|                                  | 1452                  | 1454                        | 1451                   | 1453                         | 1456                | 1455                              | 1457                | 1631                | 1651                    | 1652                   |
|----------------------------------|-----------------------|-----------------------------|------------------------|------------------------------|---------------------|-----------------------------------|---------------------|---------------------|-------------------------|------------------------|
|                                  | Del Mar<br>Elementary | Del Mar<br>Middle &<br>High | El Cajon<br>Elementary | El Cajon<br>Middle &<br>High | Oxnard &<br>Ventura | Thousand<br>Oaks & Simi<br>Valley | Sonoma              | Fresno              | Los Angeles<br>(9 - 12) | Los Angeles<br>(K - 8) |
| <b>EXPENSES</b>                  |                       |                             |                        |                              |                     |                                   |                     |                     |                         |                        |
| <b>Charter School Operations</b> |                       |                             |                        |                              |                     |                                   |                     |                     |                         |                        |
| Personnel expenses               |                       |                             |                        |                              |                     |                                   |                     |                     |                         |                        |
| Certificated salaries            | \$ 119,273            | \$ 768,820                  | \$ 38,675              | \$ 59,076                    | \$ 133,076          | \$ 1,285,111                      | \$ 998,924          | \$ 565,997          | \$ 181,262              | \$ 153,241             |
| Classified salaries              | 23,667                | 249,207                     | 12,022                 | 12,308                       | 28,028              | 349,004                           | 246,926             | 120,527             | 76,694                  | 31,796                 |
| Employee benefits                | 42,208                | 239,579                     | 24,198                 | 25,951                       | 45,162              | 353,015                           | 249,144             | 115,849             | 64,157                  | 43,708                 |
| Total personnel expenses         | 185,148               | 1,257,606                   | 74,895                 | 97,335                       | 206,266             | 1,987,130                         | 1,494,994           | 802,373             | 322,113                 | 228,745                |
| Non-personnel expenses           |                       |                             |                        |                              |                     |                                   |                     |                     |                         |                        |
| Books and supplies               | 112,812               | 676,261                     | 76,311                 | 45,088                       | 118,422             | 1,235,216                         | 859,361             | 581,968             | 246,633                 | 130,639                |
| Services and other operating     | 114,473               | 648,955                     | 27,151                 | 185,169                      | 79,008              | 826,922                           | 1,009,875           | 271,666             | 270,460                 | 158,213                |
| Debt service - interest          | 676                   | 676                         | -                      | 676                          | 676                 | 676                               | -                   | -                   | 844                     | 844                    |
| Total non-personnel expenses     | 227,961               | 1,325,892                   | 103,462                | 230,933                      | 198,106             | 2,062,814                         | 1,869,236           | 853,634             | 517,937                 | 289,696                |
| <b>Total Expenses</b>            | <b>\$ 413,109</b>     | <b>\$ 2,583,498</b>         | <b>\$ 178,357</b>      | <b>\$ 328,268</b>            | <b>\$ 404,372</b>   | <b>\$ 4,049,944</b>               | <b>\$ 3,364,230</b> | <b>\$ 1,656,007</b> | <b>\$ 840,050</b>       | <b>\$ 518,441</b>      |

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES  
CHARTER ORGANIZATIONAL STRUCTURE  
JUNE 30, 2016**

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Academy of Arts & Sciences (the “Academy”) was formed as a nonprofit public benefit corporation on October 28, 2011. As of June 30, 2016, the Academy operated fifteen California public charter schools in six counties. The following is a list of all charter schools operated by the Academy during 2015-16:

| Charter School  | Charter No. | Classes Began | Authorizing Agency | County      |
|---|-------------|---------------|--------------------|-------------|
| Academy of Arts and Sciences: Del Mar Elementary (K-5)      | 1452        | 8/27/2012     | MEUSD              | San Diego   |
| Academy of Arts and Sciences: Del Mar Middle & High (6-12)  | 1454        | 8/27/2012     | MEUSD              | San Diego   |
| Academy of Arts and Sciences: El Cajon Elementary (K-5)     | 1451        | 8/19/2013     | MEUSD              | San Diego   |
| Academy of Arts and Sciences: El Cajon Middle & High (6-12) | 1453        | 8/15/2012     | MEUSD              | San Diego   |
| Academy of Arts and Sciences: Oxnard & Ventura              | 1456        | 8/15/2012     | MESD               | Ventura     |
| Academy of Arts and Sciences: Sonoma                        | 1457        | 9/28/2012     | CRPUSD             | Sonoma      |
| Academy of Arts and Sciences: Thousand Oaks & Simi Valley   | 1455        | 8/15/2012     | MESD               | Ventura     |
| Academy of Arts and Sciences Fresno                         | 1631        | 7/1/2014      | OC                 | Fresno      |
| Academy of Arts and Sciences: Los Angeles (9-12)            | 1651        | 7/1/2014      | AADUSD             | Los Angeles |
| Academy of Arts and Sciences: Los Angeles (K-8)             | 1652        | 7/1/2014      | AADUSD             | Los Angeles |

*MEUSD – Mountain Empire Unified School District  
CRPUSD – Cotati-Rohnert Park Unified School District  
NJESD – New Jeruseleum Elementary School District*

*MESD – Mupu Elementary School District  
OC – Orange Center School District  
AADUSD – Acton-Agua Dulce Unified District*

The Board of Directors of the Academy of Arts & Sciences oversees the operations for all charter schools of the Academy. As of June 30, 2016, the members are as follows:

**BOARD OF TRUSTEES**

| Trustee            | Office                  | Term Ending   |
|--------------------|-------------------------|---------------|
| James (J.J.) Lewis | President & CEO         | June 2016     |
| Jeff Tilton        | Vice President          | June 2016     |
| Rick Keltner       | Trustee                 | June 2016     |
| Peter McDonald     | Trustee                 | June 2017     |
| Miriam Cohen       | Trustee                 | June 2018     |
| Kathy Granger      | District Representative | No Term Limit |

**ADMINISTRATION**

James (J.J.) Lewis  
*President & CEO*

See accompanying note to the supplementary information.



**ACADEMY OF ARTS & SCIENCES  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

*No Classroom Based average daily attendance was generated during the fiscal year 2015-16 by any charter school of the Academy noted below*

**SECOND PERIOD REPORT: AVERAGE DAILY ATTENDANCE (ADA) - NON-CLASSROOM BASED**

| California Charter No.                     | 1452                  | 1454                        | 1451                   | 1453                         | 1456                | 1457   | 1455                              | 1631   | 1651                  | 1652                 |
|--|-----------------------|-----------------------------|------------------------|------------------------------|---------------------|--------|-----------------------------------|--------|-----------------------|----------------------|
|  | Del Mar<br>Elementary | Del Mar<br>Middle &<br>High | El Cajon<br>Elementary | El Cajon<br>Middle &<br>High | Oxnard &<br>Ventura | Sonoma | Thousand<br>Oaks & Simi<br>Valley | Fresno | Los Angeles<br>(9-12) | Los Angeles<br>(K-8) |
| <b>Grade Span</b>                          |                       |                             |                        |                              |                     |        |                                   |        |                       |                      |
| Grades K - 3                               | 61.57                 | -                           | 26.96                  | -                            | 27.61               | 120.50 | 46.81                             | 44.05  | -                     | 40.80                |
| Grades 4 - 6                               | 30.49                 | 23.83                       | 4.30                   | 4.12                         | 20.87               | 67.51  | 42.16                             | 30.55  | -                     | 27.64                |
| Grades 7 - 8                               | -                     | 43.05                       | -                      | 21.93                        | 25.77               | 39.15  | 54.74                             | 22.84  | -                     | 35.28                |
| Grades 9 - 12                              | -                     | 138.81                      | -                      | 22.95                        | 36.22               | 97.08  | 228.75                            | 61.21  | 31.82                 | -                    |
| <b>Total ADA -<br/>Non-Classroom Based</b> | 92.06                 | 205.69                      | 31.26                  | 49.00                        | 110.47              | 324.24 | 372.46                            | 158.65 | 31.82                 | 103.72               |

**SECOND PERIOD REPORT: AVERAGE DAILY ATTENDANCE (ADA) - NON-CLASSROOM BASED  
REVISED DUE TO AUDIT ADJUSTMENTS\***

| California Charter No.                     | 1452                  | 1454                        | 1451                   | 1453                         | 1456                | 1457   | 1455                              | 1631   | 1651                  | 1652                 |
|--|-----------------------|-----------------------------|------------------------|------------------------------|---------------------|--------|-----------------------------------|--------|-----------------------|----------------------|
|  | Del Mar<br>Elementary | Del Mar<br>Middle &<br>High | El Cajon<br>Elementary | El Cajon<br>Middle &<br>High | Oxnard &<br>Ventura | Sonoma | Thousand<br>Oaks & Simi<br>Valley | Fresno | Los Angeles<br>(9-12) | Los Angeles<br>(K-8) |
| <b>Grade Span</b>                          |                       |                             |                        |                              |                     |        |                                   |        |                       |                      |
| Grades K - 3                               | 59.57                 | -                           | 26.17                  | -                            | 27.10               | 118.53 | 46.81                             | 43.05  | -                     | 40.80                |
| Grades 4 - 6                               | 30.49                 | 23.83                       | 4.30                   | 4.12                         | 20.87               | 67.51  | 42.16                             | 30.08  | -                     | 27.64                |
| Grades 7 - 8                               | -                     | 43.05                       | -                      | 21.93                        | 25.77               | 39.15  | 54.74                             | 22.84  | -                     | 35.28                |
| Grades 9 - 12                              | -                     | 138.81                      | -                      | 22.95                        | 36.05               | 97.00  | 228.75                            | 61.21  | 31.82                 | -                    |
| <b>Total ADA -<br/>Non-Classroom Based</b> | 90.06                 | 205.69                      | 30.47                  | 49.00                        | 109.79              | 322.19 | 372.46                            | 157.18 | 31.82                 | 103.72               |

*\*Revision to the Second Period Report includes audit adjustments as well as other Academy adjustments.*

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**ANNUAL REPORT: AVERAGE DAILY ATTENDANCE (ADA) - NON-CLASSROOM BASED**

| California Charter No.                     | 1452                  | 1454                        | 1451                   | 1453                         | 1456                | 1457   | 1455                              | 1631   | 1651                  | 1652                 |
|--|-----------------------|-----------------------------|------------------------|------------------------------|---------------------|--------|-----------------------------------|--------|-----------------------|----------------------|
|  | Del Mar<br>Elementary | Del Mar<br>Middle &<br>High | El Cajon<br>Elementary | El Cajon<br>Middle &<br>High | Oxnard &<br>Ventura | Sonoma | Thousand<br>Oaks & Simi<br>Valley | Fresno | Los Angeles<br>(9-12) | Los Angeles<br>(K-8) |
| <b>Grade Span</b>                          |                       |                             |                        |                              |                     |        |                                   |        |                       |                      |
| Grades K - 3                               | 62.60                 | -                           | 26.77                  | -                            | 29.07               | 121.90 | 44.55                             | 43.84  | -                     | 39.60                |
| Grades 4 - 6                               | 31.12                 | 22.98                       | 4.21                   | 3.85                         | 22.93               | 69.77  | 40.34                             | 31.54  | -                     | 28.02                |
| Grades 7 - 8                               | -                     | 39.46                       | -                      | 21.79                        | 26.39               | 39.82  | 52.32                             | 22.90  | -                     | 34.19                |
| Grades 9 - 12                              | -                     | 133.15                      | -                      | 20.24                        | 34.86               | 97.25  | 227.05                            | 60.25  | 30.39                 | -                    |
| <b>Total ADA -<br/>Non-Classroom Based</b> | 93.72                 | 195.59                      | 30.98                  | 45.88                        | 113.25              | 328.74 | 364.26                            | 158.53 | 30.39                 | 101.81               |

**ANNUAL REPORT: AVERAGE DAILY ATTENDANCE (ADA) - NON-CLASSROOM BASED  
REVISED DUE TO AUDIT ADJUSTMENTS\***

| California Charter No.                     | 1452                  | 1454                        | 1451                   | 1453                         | 1456                | 1457   | 1455                              | 1631   | 1651                  | 1652                 |
|--|-----------------------|-----------------------------|------------------------|------------------------------|---------------------|--------|-----------------------------------|--------|-----------------------|----------------------|
|  | Del Mar<br>Elementary | Del Mar<br>Middle &<br>High | El Cajon<br>Elementary | El Cajon<br>Middle &<br>High | Oxnard &<br>Ventura | Sonoma | Thousand<br>Oaks & Simi<br>Valley | Fresno | Los Angeles<br>(9-12) | Los Angeles<br>(K-8) |
| <b>Grade Span</b>                          |                       |                             |                        |                              |                     |        |                                   |        |                       |                      |
| Grades K - 3                               | 60.60                 | -                           | 26.27                  | -                            | 28.74               | 119.92 | 44.55                             | 42.84  | -                     | 39.60                |
| Grades 4 - 6                               | 31.12                 | 22.98                       | 4.21                   | 3.85                         | 22.93               | 69.77  | 40.34                             | 31.26  | -                     | 28.02                |
| Grades 7 - 8                               | -                     | 39.46                       | -                      | 21.79                        | 26.39               | 39.82  | 52.32                             | 22.90  | -                     | 34.19                |
| Grades 9 - 12                              | -                     | 133.15                      | -                      | 20.24                        | 34.73               | 97.20  | 227.05                            | 60.25  | 30.39                 | -                    |
| <b>Total ADA -<br/>Non-Classroom Based</b> | 91.72                 | 195.59                      | 30.48                  | 45.88                        | 112.79              | 326.71 | 364.26                            | 157.25 | 30.39                 | 101.81               |

*\*Revision to the Annual Report includes audit adjustments as well as other Academy adjustments.*

See accompanying note to the supplementary information.

**ACADEMY OF ARTS & SCIENCES  
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

| California Charter No.                                     | 1452                  | 1454                     | 1451                   | 1453                      | 1456                |
|--|-----------------------|--------------------------|------------------------|---------------------------|---------------------|
|  | Del Mar<br>Elementary | Del Mar<br>Middle & High | El Cajon<br>Elementary | El Cajon<br>Middle & High | Oxnard &<br>Ventura |
| June 30, 2016, fund balance per alternative form           | \$ 1,181,049          | \$ 304,387               | \$ 1,883,170           | \$ 1,983,546              | \$ 2,872,579        |
| Adjustments:   |                       |                          |                        |                           |                     |
| Increase (decrease) in total net assets:                   |                       |                          |                        |                           |                     |
| Adjustment to revenues                                     | 52,160                | 72,837                   | 569,639                | 85,628                    | 316,474             |
| Adjustment to expenses                                     | -                     | -                        | (490,373)              | -                         | -                   |
| Total net adjustments                                      | 52,160                | 72,837                   | 79,266                 | 85,628                    | 316,474             |
| June 30, 2016, net assets per audited financial statements | \$ 1,233,209          | \$ 377,224               | \$ 1,962,436           | \$ 2,069,174              | \$ 3,189,053        |

| California Charter No.                                     | 1457       | 1455                              | 1631       | 1651                    | 1652                   |
|--|------------|-----------------------------------|------------|-------------------------|------------------------|
|  | Sonoma     | Thousand<br>Oaks & Simi<br>Valley | Fresno     | Los Angeles<br>(9 - 12) | Los Angeles<br>(K - 8) |
| June 30, 2016, fund balance per alternative form           | \$ 97,706  | \$ 1,249,122                      | \$ 399,234 | \$ 709,825              | \$ 1,304,819           |
| Adjustments:   |            |                                   |            |                         |                        |
| Increase (decrease) in total net assets:                   |            |                                   |            |                         |                        |
| Adjustment to revenues                                     | 38,877     | 284,491                           | 93,800     | 43,536                  | 161,792                |
| Adjustment to expenses                                     | (1)        | -                                 | -          | -                       | (1)                    |
| Total net adjustments                                      | 38,876     | 284,491                           | 93,800     | 43,536                  | 161,791                |
| June 30, 2016, net assets per audited financial statements | \$ 136,582 | \$ 1,533,613                      | \$ 493,034 | \$ 753,361              | \$ 1,466,610           |

See accompanying note to the supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A. Statements by Charter

Academy of Arts & Sciences' statements of financial position, and activities by school provide information supporting the amounts incorporated in the Academy's financial statements, which include results from both schools operated by the corporation.

B. Charter Expenses by Object Classification

The costs of providing services have not been summarized on a functional basis. Academy of Arts & Sciences has opted to present expenses based on object classification as reported under the standardized account code structure (SACS) format outlined in the *California School Accounting Manual*. The object field classifies expenditures according to the types of items purchased or services.

C. Charter Organizational Structure

This schedule provides information about the charter schools' authorizing agencies, grades served, members of the governing body, and members of the administration.

D. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter 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 and in different programs.

E. Reconciliation of Financial Report - Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile fund balance reported on the Financial Report – Alternative Form to net assets on the audited financial statements.

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**OTHER INDEPENDENT AUDITORS' REPORTS**

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DRAFT 11.8.16

**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**

Independent Auditors' Report

To the Board of Directors of  
Academy of Arts & Sciences  
Thousand Oaks, California

We have audited, 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, the financial statements of Academy of Arts & Sciences (the "Academy") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated **November 4, 2016**.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting ("internal control") to determine the auditing 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 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. We did identify deficiencies in internal control, described in the accompanying findings and questioned costs section that we consider to be significant deficiencies as Finding 2016-1.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of 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*.

## **Academy of Arts & Sciences' Response to Finding**

Academy of Arts & Sciences' response to the finding identified in our audit is described in the accompanying findings and questioned costs section. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California

November 4, 2016

DRAFT 11.8.16

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

To the Board of Directors of  
Academy of Arts & Sciences  
Thousand Oaks, California

#### **Report on State Compliance**

We have audited Academy of Arts & Sciences' compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Academy of Arts & Sciences' state programs for the fiscal year ended June 30, 2016, as identified below. Reference to Academy of Arts & Sciences within this letter is inclusive of all charter schools referenced in Note 1A of the accompanying notes to the financial statements.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Academy of Arts & Sciences' state 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Academy of Arts & Sciences' 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 with the requirements referred to above. However, our audit does not provide a legal determination of Academy of Arts & Sciences' compliance with those requirements.

#### **Opinion on State Compliance**

In our opinion, Academy of Arts & Sciences complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.



**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying findings and questioned costs section as Findings 2016-2 through 2016-4. Our opinion on state compliance is not modified with respect to these matters.

Academy of Arts & Sciences’ response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Academy of Arts & Sciences’ response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Procedures Performed**

In connection with the audit referred to above, we selected and tested transactions and records to determine Academy of Arts & Sciences’ compliance with the state laws and regulations applicable to the following items:

| <i>California Charter Numbers:</i>                                      | <i>1451, 1452, 1453,<br/>1456, 1652</i> | <i>1454, 1455, 1457,<br/>1631, 1651</i> |
|---|---|---|
| <b>Description</b>  | <b>Procedures Performed</b>             | <b>Procedures Performed</b>             |
| <b>School Districts, County Office of Education and Charter Schools</b> |   |   |
| Educator Effectiveness  | Yes                                     | Not applicable                          |
| California Clean Energy Jobs Act  | No                                      | No                                      |
| After School Education and Safety Program:                              | Not applicable                          | Not applicable                          |
| Proper Expenditure of Education Protection Account Funds                | Yes                                     | Yes                                     |
| Unduplicated Local Control Funding Formula Pupil Counts                 | Yes                                     | Yes                                     |
| Local Control and Accountability Plan                                   | Yes                                     | Yes                                     |
| Independent Study – Couse Based   | Not applicable                          | Not Applicable                          |
| Immunizations   | Yes                                     | Yes                                     |
| <b>Charter Schools</b>  |   |   |
| Attendance  | Yes                                     | Yes                                     |
| Mode of Instruction   | Not applicable                          | Not applicable                          |
| Nonclassroom-Based Instruction/Independent Study for Charter Schools    | Yes                                     | Yes                                     |
| Determination of Funding for Nonclassroom-Based Instruction             | Yes                                     | Yes                                     |
| Annual Instructional Minutes – Classroom Based                          | Not applicable                          | Not applicable                          |
| Charter School Facility Grant Program                                   | Not applicable                          | Not applicable                          |

For applicable Charters noted above, we did not perform procedures for the California Clean Energy Jobs Act because no funds were expended during 2015-16 for each of the charter schools.

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**FINDINGS AND QUESTIONED COSTS  
SECTION**

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DRAFT 118.60

**ACADEMY OF ARTS & SCIENCES  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL STATEMENTS**

|  |           |
|--|-----------|
| Type of auditors' report issued:                       | Qualified |
| Internal control over financial reporting:             |           |
| Material weakness(es) identified?                      | No        |
| Significant deficiency(ies) identified?                | Yes       |
| Non-compliance material to financial statements noted? | No        |

**FEDERAL AWARDS**

*The Academy did not expend more than \$750,000 in federal awards during the fiscal year 2015-16; therefore, this is not applicable.*

**STATE AWARDS**

|   |            |
|---|------------|
| Internal control over state programs:                             |            |
| Material weaknesses identified?                                   | No         |
| Significant deficiency(ies) identified?                           | Yes        |
| Type of auditors' report issued on compliance for state programs: | Unmodified |

DRAFT 11.18.16

ACADEMY OF ARTS & SCIENCES  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

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FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING 2016-1: FINANCIAL STATEMENT REPORTING (30000)

**Criteria:** Generally accepted accounting principles (GAAP) requires the presentation, in either a statement of activities or the notes to the financial statements, of information about expenses reported by their functional classification, such as major classes of program services and supporting activities. Though not required by GAAP, fund accounting may be used for internal recordkeeping to properly segregate assets, liabilities, and fund balances into separate accounting entities; thus, it can be used to track an organization's fiduciary responsibilities to ensure use of assets in accordance with donor-imposed or government mandated restrictions.

**Condition:** During our substantive audit procedures, we noted that no allocation was performed nor information available for reporting of expenses on a functional basis. Additionally, fund accounting was utilized within the accounting software to track financial data required to be reported by each public charter school to the California Department of Education (CDE). Based on review of financial statements, balance sheet items did not properly reconcile to data reported by charter school to the CDE. One common operating checking account was maintained by the Academy for all banking activities and a lack of proper fund accounting caused for inadequate tracking of cash balances by charter school. Additionally, transactions involving inter-agency receivables/payables were not properly maintained, requiring several audit adjustments.

**Cause:** Accounting software limitations as well as miscommunications and ineffective practices by the business services provider coupled with inadequate review of financial statements by Academy management personnel.

**Effect:** Financial statements are not presented in accordance with GAAP with relation to functional expenses. Additionally, activities and account balances could be inappropriately reported to the CDE with regards to financial reporting by charter school.

**Recommendation:** We recommend that Academy management properly review financial data prepared by third-party consultants to ensure for proper presentation of financial data in accordance with GAAP. Additionally, we recommend that proper fund accounting be implemented if this method of accounting will be utilized to ensure accurate reporting of financial data to reporting agencies for each of its public charter school.

**Academy's Response:**

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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| <u>FIVE DIGIT CODE</u> | <u>AB 3627 FINDING TYPE</u>        |
|------------------------|------------------------------------|
| 10000                  | Attendance                         |
| 40000                  | State Compliance                   |
| 42000                  | Charter School Facilities Programs |
| 60000                  | Miscellaneous                      |
| 61000                  | Classroom Teacher Salaries         |
| 62000                  | Local Control Accountability Plan  |
| 70000                  | Instructional Materials            |
| 71000                  | Teacher Misassignments             |
| 72000                  | School Accountability Report Card  |

**FINDING 2016-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000)**

**Criteria:** In accordance with *California Education Code Section 51749.5* and *51749.6* a signed learning agreement for each independent study pupil shall be maintained on file and the learning agreement shall be signed before commencement of independent study in order to be eligible for apportionment. Additionally, independent study average daily attendance (ADA) may be claimed only for pupils who are residents of the county in which the apportionment claim is reported for the charter school, or who are residents of a county immediately adjacent to the county in which the apportionment claim is reported (*California Education Code Section 51747.3*).

**Condition:** In our performance of audit procedures over independent study/non classroom-based attendance, we noted issues of noncompliance in five (5) charter schools operated by the Academy. A summary of each issue is noted below.

- a) **Non-Resident Student:** We noted that one (1) student from *Academy of Arts and Sciences: Fresno* did not reside in the county or a contiguous county for the charter school attended. Total unallowable apportionment amounted to eleven (11) days.
- b) **Incomplete Master Agreements:** Master agreements were missing one or more required signatures for the following charter schools:
  - *Academy of Arts and Sciences: Fresno:* Two (2) students master agreement incomplete for a total of 180 days of unallowable apportionment.
  - *Academy of Arts and Sciences: Oxnard & Ventura:* One (1) student master agreement was incomplete for a total of 57 days of unallowable apportionment.
  - *Academy of Arts and Sciences: Sonoma:* Two (2) students master agreement were incomplete for a total of 258 days of unallowable apportionment.
  - *Academy of Arts and Sciences: Del Mar Elementary:* Two (2) students master agreement were incomplete for a total of 243 days of unallowable apportionment.
  - *Academy of Arts and Sciences: El Cajon Elementary:* One (1) student master agreement was incomplete for a total of 88 days of unallowable apportionment.
- c) **Untimely Signed Master Agreements:** Students received apportionment prior to collecting last required signature on master agreement.
  - *Academy of Arts and Sciences: Oxnard & Ventura:* One (1) student master agreement was untimely signed for a total of 22 days of unallowable apportionment.
  - *Academy of Arts and Sciences: Sonoma:* One (1) student master agreement was untimely signed for a total of nine (9) days of unallowable apportionment.

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINDING 2016-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000) (continued)**

**Effect:** Inaccurate reporting of ADA and noncompliance with State requirements. The ADA effects by charter school, grade span and reporting period are noted below:

| <b>Charter School/Condition</b>                                  | <b>Grade Span</b> | <b>P-2<br/>ADA Effect</b> | <b>Annual<br/>ADA Effect</b> |
|--|-------------------|---------------------------|------------------------------|
| <i>Academy of Art &amp; Sciences: Fresno</i>                     |                   |                           |                              |
| Condition a) previously mentioned                                | 4 - 6             | 0.10                      | NA*                          |
| Condition b) previously mentioned                                | K - 3             | 1.00                      | 1.00                         |
| Condition b) previously mentioned                                | 4 - 6             | 0.37                      | 0.28                         |
| <b>Total ADA Effect for AAS: Fresno</b>                          |                   | <b>1.47</b>               | <b>1.28</b>                  |
| <i>Academy of Arts &amp; Sciences: Oxnard &amp; Ventura</i>      |                   |                           |                              |
| Condition b) previously mentioned                                | K - 3             | 0.51                      | 0.33                         |
| Condition c) previously mentioned                                | 9 - 12            | 0.17                      | 0.13                         |
| <b>Total ADA Effect for AAS: Oxnard &amp; Ventura</b>            |                   | <b>0.68</b>               | <b>0.46</b>                  |
| <i>Academy of Arts &amp; Sciences: Sonoma</i>                    |                   |                           |                              |
| Condition b) previously mentioned                                | K - 3             | 1.97                      | 1.98                         |
| Condition c) previously mentioned                                | 9 - 12            | 0.08                      | 0.05                         |
| <b>Total ADA Effect for AAS: Sonoma</b>                          |                   | <b>2.05</b>               | <b>2.03</b>                  |
| <i>Academy of Arts &amp; Sciences: Del Mar Elementary (K-5)</i>  |                   |                           |                              |
| Condition b) previously mentioned                                | K - 3             | 2.00                      | 2.00                         |
| <b>Total ADA Effect for AAS: Del Mar Elementary</b>              |                   | <b>2.00</b>               | <b>2.00</b>                  |
| <i>Academy of Arts &amp; Sciences: El Cajon Elementary (K-5)</i> |                   |                           |                              |
| Condition b) previously mentioned                                | K - 3             | 0.79                      | 0.50                         |
| <b>Total ADA Effect for AAS: El Cajon Elementary</b>             |                   | <b>0.79</b>               | <b>0.50</b>                  |
| <b>Grand Total - All Schools</b>                                 |                   | <b>6.99</b>               | <b>6.27</b>                  |

\*NA – Not applicable. The student was removed from the student information system as enrolled in this charter school prior to reporting of Annual attendance data; therefore, there is no effect on Annual ADA.

**Cause:** Proper procedures for enrollment of students in correct the charter school and review of student master agreements prior to start of instruction are not being adhered to in order to ensure for compliance with independent study attendance requirements.

**Questioned Cost:** A total of \$54,610 was calculated as due from the Academy for all noted attendance exceptions referenced above. Please refer to the following page for the calculation of this questioned cost and the impact by charter school.

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINDING 2016-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000) (continued)**

**Questioned Cost (continued):**

|  | <b>Overstated<br/>P-2 ADA</b> | <b>Overstated<br/>Annual ADA</b> | <b>Adjusted<br/>Base Grant<br/>per ADA</b> | <b>Questioned<br/>Cost</b> |
|--|-------------------------------|----------------------------------|--|----------------------------|
| <i>Academy of Art &amp; Sciences: Fresno</i>                     |                               |                                  |  |                            |
| <b>Grade Span</b>  |                               |                                  |  |                            |
| Kindergarten through third                                       | 1.00                          | 1.00                             | \$ 7,820                                   | \$ 7,820                   |
| Fourth through sixth   | 0.47                          | 0.28                             | \$ 7,189                                   | 3,379                      |
| <b>Total AAS: Fresno</b>   | <b>1.47</b>                   | <b>1.28</b>                      |  | <b>11,199</b>              |
| <i>Academy of Arts &amp; Sciences: Oxnard &amp; Ventura</i>      |                               |                                  |  |                            |
| <b>Grade Span</b>  |                               |                                  |  |                            |
| Kindergarten through third                                       | 0.51                          | 0.33                             | \$ 7,820                                   | 3,988                      |
| Ninth through twelfth  | 0.17                          | 0.13                             | \$ 8,801                                   | 1,496                      |
| <b>Total AAS: Oxnard &amp; Ventura</b>                           | <b>0.68</b>                   | <b>0.46</b>                      |  | <b>5,484</b>               |
| <i>Academy of Arts &amp; Sciences: Sonoma</i>                    |                               |                                  |  |                            |
| <b>Grade Span</b>  |                               |                                  |  |                            |
| Kindergarten through third                                       | 1.97                          | 1.98                             | \$ 7,820                                   | 15,405                     |
| Ninth through twelfth  | 0.08                          | 0.05                             | \$ 8,801                                   | 704                        |
| <b>Total AAS: Sonoma</b>   | <b>2.05</b>                   | <b>2.03</b>                      |  | <b>16,109</b>              |
| <i>Academy of Arts &amp; Sciences: Del Mar Elementary (K-5)</i>  |                               |                                  |  |                            |
| <b>Grade Span</b>  |                               |                                  |  |                            |
| Kindergarten through third                                       | 2.00                          | 2.00                             | \$ 7,820                                   | 15,640                     |
| <b>Total AAS: Del Mar Elementary</b>                             | <b>2.00</b>                   | <b>2.00</b>                      |  | <b>15,640</b>              |
| <i>Academy of Arts &amp; Sciences: El Cajon Elementary (K-5)</i> |                               |                                  |  |                            |
| <b>Grade Span</b>  |                               |                                  |  |                            |
| Kindergarten through third                                       | 0.79                          | 0.50                             | \$ 7,820                                   | 6,178                      |
| <b>Total AAS: El Cajon Elementary</b>                            | <b>0.79</b>                   | <b>0.50</b>                      |  | <b>6,178</b>               |
| <b>Grand Total - All Schools</b>                                 | <b>6.99</b>                   | <b>6.27</b>                      |  | <b>\$ 54,610</b>           |

**Recommendations:** We recommend that proper procedures be established to ensure that the data within the attendance system and the student's file are accurate.

**Academy's Response:**

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINDING 2016-3: INDEPENDENT STUDY RATIO (40000)**

**Criteria:** In accordance with *California Education Code (EC) Section 51745.5*, the ratio of average daily attendance (ADA) for independent study pupils to full-time equivalent (FTE) certificated employees responsible for independent study is not to exceed the equivalent ratio of ADA to FTE identified as the comparative ratio. Pursuant to *EC Section 51745.6(d)* and *California Code of Regulations (CCR), Title V, Section 11704*, the comparative ratio for charter schools is the prior year ratio for all other non-independent study educational programs of the largest unified school district in the county or counties in which they operate, or a fixed ratio of 25 to 1.

**Condition:** Upon review of nonclassroom-based or independent study ADA and teacher FTE counts, we noted three (3) of the ten (10) charter schools operated by the Academy exceeded the comparative ratio of 25 to 1.

**AAS: Del Mar Elementary (K-5)**

- A ratio of 27.1 to 1 was calculated based on reported P-2 ADA of 92.06 and a teacher FTE of 3.40.

**AAS: Del Mar Middle & High (6-12)**

- A ratio of 29.0 to 1 was calculated based on reported P-2 ADA of 205.69 and a teacher FTE of 7.10.

**AAS: Thousand Oaks & Simi Valley**

- A ratio of 31.0 to 1 was calculated based on reported P-2 ADA of 372.46 and a teacher FTE of 12.00.

**Effect:** The charter schools are not in compliance with State requirements. Calculation of excess ADA in total by charter school and allocation by grade span for each charter school are as follows:

**Calculation of Excess ADA by Charter:**

| Charter School               | P-2<br>ADA | Teacher<br>FTE | Ratio<br>to 1 ADA       | Excess<br>per FTE | Total<br>Excess ADA |
|------------------------------|------------|----------------|-------------------------|-------------------|---------------------|
| Del Mar Elementary (K-5)     | 92.06      | 3.40           | 27.1                    | 2.1               | 7.1                 |
| Del Mar Middle & High (6-12) | 205.69     | 7.10           | 29.0                    | 4.0               | 28.4                |
| Thousand Oaks & Simi Valley  | 372.46     | 12.00          | 31.0                    | 6.0               | 72.0                |
|                              |            |                | <b>Total Excess ADA</b> |                   | <b>107.5</b>        |

**Allocation of Excess ADA by Grade Span:**

| Charter School               | Grades<br>K – 3 | Grades<br>4 – 6 | Grades<br>7 – 8         | Grades<br>9 – 12 | Total<br>Excess ADA |
|------------------------------|-----------------|-----------------|-------------------------|------------------|---------------------|
| Del Mar Elementary (K-5)     | 4.7             | 2.4             | 0.0                     | 0.0              | 7.1                 |
| Del Mar Middle & High (6-12) | 0.0             | 3.3             | 5.9                     | 19.2             | 28.4                |
| Thousand Oaks & Simi Valley  | 9.0             | 8.1             | 10.6                    | 44.3             | 72.0                |
|                              |                 |                 | <b>Total Excess ADA</b> |                  | <b>107.5</b>        |

**Cause:** The charter school did not monitor internal staffing requirements to maintain the required student to teacher ratios, but instead relied on services of instructional consultants to aid in instruction of students in excess of teacher 25 to 1 averages.

**Questioned Costs:** \$870,102 (see calculation on following page)



ACADEMY OF ARTS & SCIENCES  
 STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
 FOR THE YEAR ENDED JUNE 30, 2016

FINDING 2016-3: INDEPENDENT STUDY RATIO (40000) (continued)

Questioned Costs (continued):

|   | <u>Excess ADA</u> | <u>Adjusted Base<br/>Grant per ADA</u> | <u>Questioned<br/>Cost</u> |
|---|-------------------|--|----------------------------|
| <b>Del Mar Elementary (K-5)</b>               |                   |  |                            |
| <b>Grade Span</b>                             |                   |  |                            |
| Kindergarten through third                    | (4.7)             | \$ 7,820                               | \$ (36,754)                |
| Fourth through sixth                          | (2.4)             | \$ 7,189                               | (17,254)                   |
| <b>Total Del Mar Elementary (K-5)</b>         | <u>(7.1)</u>      |  | <u>(36,754)</u>            |
| <b>Del Mar Middle &amp; High (6-12)</b>       |                   |  |                            |
| <b>Grade Span</b>                             |                   |  |                            |
| Fourth through sixth                          | (3.3)             | \$ 7,189                               | (23,724)                   |
| Seventh through eighth                        | (5.9)             | \$ 7,403                               | (43,678)                   |
| Ninth through twelfth                         | (19.2)            | \$ 8,801                               | (168,979)                  |
| <b>Total Del Mar Middle &amp; High (6-12)</b> | <u>(28.4)</u>     |  | <u>(236,381)</u>           |
| <b>Thousand Oaks</b>                          |                   |  |                            |
| <b>Grade Span</b>                             |                   |  |                            |
| Kindergarten through third                    | (9.0)             | \$ 7,820                               | (70,380)                   |
| Fourth through sixth                          | (8.1)             | \$ 7,189                               | (58,231)                   |
| Seventh through eighth                        | (10.6)            | \$ 7,403                               | (78,472)                   |
| Ninth through twelfth                         | (44.3)            | \$ 8,801                               | (389,884)                  |
| <b>Total Thousand Oaks</b>                    | <u>(72.0)</u>     |  | <u>(596,967)</u>           |
| <b>Grand Totals</b>                           | <u>(107.5)</u>    |  | <u>\$ (870,102)</u>        |

**Recommendation:** We recommend that student enrollment and staffing be closely monitored and adjusted when necessary to ensure compliance with independent study ADA to teacher FTE ratios.

**Academy's Response:**

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING 2016-4: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA (LCFF) PUPIL COUNT (40000)**

**Criteria:** Students classified as Free or Reduced Priced Meal (FRPM) eligible and/or English Learners (EL), who are not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report, must have supporting documentation that indicates the student was eligible for this designation. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** Based on review and testing of student designations from the 2015-16 CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report for each charter, we noted the following:

**AAS: Del Mar Elementary (K-5)**

- Exception was noted for one (1) of five (5) students designated as FRPM. Supporting documentation for household income verification was not provided to verify student's FRPM status.

**AAS: Del Mar Middle & High (6-12)**

- Exceptions were noted for two (2) of four (4) students designated as FRPM. Supporting documentation for household income verification was not provided to verify student's FRPM status for one (1) student and the other student only had 2014-15 household income data provided. .
- Exception was noted for one (1) of two (2) students designated as EL and non-FRPM. Home language survey provided indicated the student should have been classified as English Only. .

**AAS: El Cajon Elementary (K-5)**

- Exception was noted for one (1) of two (2) students designated as FRPM. Supporting documentation for household income verification provided to verify student's FRPM status was from 2013-14.

**AAS: El Cajon Middle & High (6-12)**

- Exceptions were noted for four (4) of four (4) students designated as FRPM. One (1) student should have been designated as paid status, two (2) students only had 2013-14 income data on file and income verification documentation was not provided for the remaining student.

**AAS: Oxnard & Ventura**

- Exceptions were noted for two (2) of six (6) students designated as FRPM. One (1) student only had 2014-15 income data on file and income verification documentation was not provided for the remaining student.

**AAS: Sonoma**

- Exception was noted for one (1) of five (5) students designated as FRPM. Income verification documentation provided for the student indicated a paid status.

**AAS: Thousand Oaks & Simi Valley**

- Exceptions were noted for four (4) of six (6) students designated as FRPM. Three (3) students should have been designated as paid status and income verification documentation was not provided for the remaining student.
- Exceptions were noted for one (1) of three (3) student designated as EL and non-FRPM. Home language survey provided indicated the student should have been classified as English Only.

**ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING 2016-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)**

**Condition (continued):**

**AAS: Fresno**

- Exception was noted for one (1) of five (5) students designated as FRPM. Supporting documentation for household income verification provided to verify student's FRPM status was from 2014-15.

**AAS: Los Angeles K-8**

- Exceptions were noted for two (2) of five (5) students designated as FRPM. The two (2) students only had 2014-15 income data on file.
- Exception was noted for one (1) of one (1) student designated as EL and non-FRPM. Home language survey provided indicated the student should have been classified as English Only.

**Effect:** The charter schools are not in compliance with State requirements. Errors in the Unduplicated Pupil Count per charter school were extrapolated by finding the percentage of error and multiplying by the number of students in each designation (FRPM, EL, or FRPM and EL). In cases where the total population was tested, the total actual error is noted. Errors per charter are as follows:

**AAS: Del Mar Elementary (K-5)** Extrapolated error is 6 of 31 for FRPM only or -6 pupil counts in error.

**AAS: Del Mar Middle & High (6-12)** Extrapolated error is 6 of 11 for FRPM only and 3 of 6 for EL only for a total of -9 pupil counts in error.

**AAS: El Cajon Elementary (K-5)** Total FRPM only population was tested; actual error is 1 of 2 or -1 pupil count.

**AAS: El Cajon Middle & High (6-12)** Extrapolated error is 7 of 7 for FRPM only or -7 pupil counts in error.

**AAS: Oxnard & Ventura** Extrapolated error is 3 of 8 for FRPM only or -3 pupil counts in error.

**AAS: Sonoma** Extrapolated error is 2 of 12 for FRPM only or -2 pupil counts in error.

**AAS: Thousand Oaks & Simi Valley** Extrapolated error is 27 of 41 for FRPM only and actual error for testing of total population is 1 of 3 for EL only for a total of -28 pupil counts in error.

**AAS: Fresno** Extrapolated error is 2 of 10 for FRPM only or -2 pupil counts in error.

**AAS: Los Angeles K-8** Extrapolated error is 4 of 9 for FRPM only and actual error for testing of total population is 1 of 1 for EL only for a total of -5 pupil counts in error.

**Cause:** Documentation for FRPM and/or EL designations did not support the Unduplicated Pupil Count per charter school resulting in inaccuracies and support for designations was not retained by the charter schools.

**Questioned Costs:** \$16,103 (see calculation on following page)

**Recommendation:** We recommend that all household income documentation and documentation to support EL status be reviewed and obtained for accurate CALPADS reporting.

**Academy's Response:**

ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016

FINDING 2016-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)

Questioned Cost (continued):

|  | AAS: Del Mar Elementary (K-5) |                               | AAS: Del Mar Middle & High (9-12) |                               | AAS: El Cajon Elementary (K-5) |                               | AAS: El Cajon Middle & High (6-12) |                               | AAS: Oxnard & Ventura     |                               |
|--|-------------------------------|-------------------------------|-----------------------------------|-------------------------------|--------------------------------|-------------------------------|------------------------------------|-------------------------------|---------------------------|-------------------------------|
|  | Section 1:<br>Regular UPP     | Section 2:<br>Alternative UPP | Section 1: Regular<br>UPP         | Section 2:<br>Alternative UPP | Section 1: Regular<br>UPP      | Section 2:<br>Alternative UPP | Section 1: Regular<br>UPP          | Section 2:<br>Alternative UPP | Section 1: Regular<br>UPP | Section 2:<br>Alternative UPP |
| <b>Unduplicated Pupil Percentage (UPP) Audit Adjustment</b>  |                               |                               |                                   |                               |                                |                               |                                    |                               |                           |                               |
| 1) Total Adjusted Enrollment from the UPP Exhibit as of P-2  | 347                           | 411                           | 474                               | 558                           | 673                            | 986                           | 648                                | 1,073                         | 586                       | 887                           |
| 2) Total Adjusted Unduplicated Count from the UPP Exhibit as of P-2                                      | 163                           | 180                           | 128                               | 187                           | 129                            | 191                           | 160                                | 297                           | 166                       | 301                           |
| 3) Number of Unduplicated Count audit adjustment   |                               | (6)                           |                                   | (9)                           |                                | (1)                           |                                    | (7)                           |                           | (3)                           |
| 4) Revised Adjusted Unduplicated Pupil Count   | 157                           | 174                           | 119                               | 178                           | 128                            | 190                           | 153                                | 290                           | 163                       | 298                           |
| 5) UPP calculated at P-2   | 0.4697                        | 0.4380                        | 0.2700                            | 0.3351                        | 0.1917                         | 0.1937                        | 0.2469                             | 0.2768                        | 0.2833                    | 0.3393                        |
| 6) Revised UPP for audit finding   | 0.4524                        | 0.4234                        | 0.2511                            | 0.3190                        | 0.1902                         | 0.1927                        | 0.2361                             | 0.2703                        | 0.2782                    | 0.3360                        |
| 7) Greater of Revised UPP for audit finding from Section 1 or 2  |                               | 0.4524                        |                                   | 0.3190                        |                                | 0.1927                        |                                    | 0.2703                        |                           | 0.3360                        |
| 8) <b>Charter Schools Only:</b> Determinative School District Concentration Cap                          |                               | 0.7288                        |                                   | 1.7288                        |                                | 0.7288                        |                                    | 0.7288                        |                           | 0.5220                        |
| 9) Revised UPP adjusted for Concentration Cap  |                               | 0.4524                        |                                   | 0.3190                        |                                | 0.1927                        |                                    | 0.2703                        |                           | 0.3360                        |
| <b>LCFF Target Base Grant Funding</b>  |                               |                               |                                   |                               |                                |                               |                                    |                               |                           |                               |
| 10) Total Base Grant Funding as of P-2   | \$ 700,670                    |                               | \$ 1,712,809                      |                               | \$ 241,740                     |                               | \$ 393,950                         |                               | \$ 875,491                |                               |
| <b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>   |                               |                               |                                   |                               |                                |                               |                                    |                               |                           |                               |
| 11) Target Supplemental Grant Funding calculated as of P-2   | \$ 65,821                     |                               | \$ 114,792                        |                               | \$ 9,365                       |                               | \$ 21,809                          |                               | \$ 59,411                 |                               |
| 12) Revised Target Supplemental Grant Funding for audit finding  | \$ 63,397                     |                               | \$ 109,277                        |                               | \$ 9,317                       |                               | \$ 21,297                          |                               | \$ 58,833                 |                               |
| 13) Target Supplemental Grant Funding Audit Adjustment   | \$ (2,424)                    |                               | \$ (5,515)                        |                               | \$ (48)                        |                               | \$ (512)                           |                               | \$ (578)                  |                               |
| <b>LCFF Target Concentration Grant Funding Audit Adjustment</b>  |                               |                               |                                   |                               |                                |                               |                                    |                               |                           |                               |
| 14) Target Concentration Grant Funding calculated as of P-2  | \$ -                          |                               | \$ -                              |                               | \$ -                           |                               | \$ -                               |                               | \$ -                      |                               |
| 15) Revised Target Concentration Grant Funding for audit finding   | \$ -                          |                               | \$ -                              |                               | \$ -                           |                               | \$ -                               |                               | \$ -                      |                               |
| 16) Target Concentration Grant Funding Audit Adjustment  | \$ -                          |                               | \$ -                              |                               | \$ -                           |                               | \$ -                               |                               | \$ -                      |                               |
| <b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>        |                               |                               |                                   |                               |                                |                               |                                    |                               |                           |                               |
| 17) Total target supplemental and concentration audit adjustment   | \$ (2,424)                    |                               | \$ (5,515)                        |                               | \$ (48)                        |                               | \$ (512)                           |                               | \$ (578)                  |                               |
| <b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Floor and Gap</b> |                               |                               |                                   |                               |                                |                               |                                    |                               |                           |                               |
| 18) Statewide gap funding rate   | 0.5255761597                  |                               | 0.5255761597                      |                               | 0.5255761597                   |                               | 0.5255761597                       |                               | 0.5255761597              |                               |
| 19) Estimated value of unduplicated pupil count audit adjustment for 2015-16                             | \$ (1,274)                    |                               | \$ (2,899)                        |                               | \$ (25)                        |                               | \$ (269)                           |                               | \$ (304)                  |                               |

ACADEMY OF ARTS & SCIENCES  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016

FINDING 2016-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)

Questioned Cost (continued):

|  | AAS: Sonoma               |                               | AAS: Thousand Oaks & Simi Valley |                               | AAS: Fresno               |                               | AAS: Los Angeles K-8      |                               |
|--|---------------------------|-------------------------------|----------------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
|  | Section 1:<br>Regular UPP | Section 2:<br>Alternative UPP | Section 1: Regular<br>UPP        | Section 2:<br>Alternative UPP | Section 1: Regular<br>UPP | Section 2:<br>Alternative UPP | Section 1: Regular<br>UPP | Section 2:<br>Alternative UPP |
| <b>Unduplicated Pupil Percentage (UPP) Audit Adjustment</b>  |                           |                               |                                  |                               |                           |                               |                           |                               |
| 1) Total Adjusted Enrollment from the UPP Exhibit as of P-2  | 465                       | 578                           | 871                              | 1,109                         | 229                       | 333                           | 392                       | 689                           |
| 2) Total Adjusted Unduplicated Count from the UPP Exhibit as of P-2                                      | 112                       | 155                           | 272                              | 411                           | 108                       | 155                           | 95                        | 148                           |
| 3) Number of Unduplicated Count audit adjustment   |                           | (2)                           |                                  | (28)                          |                           | (2)                           |                           | (5)                           |
| 4) Revised Adjusted Unduplicated Pupil Count   | 110                       | 153                           | 244                              | 383                           | 106                       | 153                           | 90                        | 143                           |
| 5) UPP calculated at P-2   | 0.2409                    | 0.2682                        | 0.3123                           | 0.3706                        | 0.4716                    | 0.4655                        | 0.2423                    | 0.2148                        |
| 6) Revised UPP for audit finding   | 0.2366                    | 0.2647                        | 0.2801                           | 0.3454                        | 0.4629                    | 0.4595                        | 0.2296                    | 0.2075                        |
| 7) Greater of Revised UPP for audit finding from Section 1 or 2  |                           | 0.2647                        |                                  | 0.3454                        |                           | 0.4629                        |                           | 0.2296                        |
| 8) Charter Schools Only: Determinative School District Concentration Cap                                 |                           | 0.4824                        |                                  | 0.5220                        |                           | 0.9479                        |                           | 0.4353                        |
| 9) Revised UPP adjusted for Concentration Cap  |                           | 0.2647                        |                                  | 0.3454                        |                           | 0.4629                        |                           | 0.2296                        |
| <b>LCFF Target Base Grant Funding</b>  |                           |                               |                                  |                               |                           |                               |                           |                               |
| 10) Total Base Grant Funding as of P-2   | \$ 2,572,498              |                               | \$ 3,088,051                     |                               | \$ 1,272,594              |                               | \$ 779,584                |                               |
| <b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>   |                           |                               |                                  |                               |                           |                               |                           |                               |
| 11) Target Supplemental Grant Funding calculated as of P-2   | \$ 137,989                |                               | \$ 228,886                       |                               | \$ 120,031                |                               | \$ 37,779                 |                               |
| 12) Revised Target Supplemental Grant Funding for audit finding  | \$ 136,188                |                               | \$ 213,323                       |                               | \$ 117,817                |                               | \$ 35,798                 |                               |
| 13) Target Supplemental Grant Funding Audit Adjustment   | \$ (1,801)                |                               | \$ (15,563)                      |                               | \$ (2,214)                |                               | \$ (1,981)                |                               |
| <b>LCFF Target Concentration Grant Funding Audit Adjustment</b>  |                           |                               |                                  |                               |                           |                               |                           |                               |
| 14) Target Concentration Grant Funding calculated as of P-2  | \$ -                      |                               | \$ -                             |                               | \$ -                      |                               | \$ -                      |                               |
| 15) Revised Target Concentration Grant Funding for audit finding   | \$ -                      |                               | \$ -                             |                               | \$ -                      |                               | \$ -                      |                               |
| 16) Target Concentration Grant Funding Audit Adjustment  | \$ -                      |                               | \$ -                             |                               | \$ -                      |                               | \$ -                      |                               |
| <b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>        |                           |                               |                                  |                               |                           |                               |                           |                               |
| 17) Total target supplemental and concentration audit adjustment   | \$ (1,801)                |                               | \$ (15,563)                      |                               | \$ (2,214)                |                               | \$ (1,981)                |                               |
| <b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Floor and Gap</b> |                           |                               |                                  |                               |                           |                               |                           |                               |
| 18) Statewide gap funding rate   | 0.5255761597              |                               | 0.5255761597                     |                               | 0.5255761597              |                               | 0.5255761597              |                               |
| 19) Estimated value of unduplicated pupil count audit adjustment for 2015-16                             | \$ (947)                  |                               | \$ (8,180)                       |                               | \$ (1,164)                |                               | \$ (1,041)                | \$ (16,103)                   |

**ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING 2015-1: CONTROLS OVER PAYROLL PROCESSING AND HUMAN RESOURCES (30000)**

**Criteria:** Best practice is to implement controls over payroll and human resources duties to ensure proper procedures over these areas. Proper controls over personnel files, salary schedules, and terminations are essential to avoid misuse of funds and ensure accurate maintenance of personnel records.

**Condition:** We found during testing that there were many payroll and human resources control deficiencies. We noted the following deficiencies:

- For five (5) of twenty-seven (27) employees, we noted that actual gross pay from the payroll register could not be accurately recalculated based on the employees approved pay rate and frequency.
- We noted two (2) employees were paid in advance of their hire dates.
- Based on the departments listed on the payroll registers, we noted one (1) employee was not accurately reported by proper object code classification for accurate reporting of expenditures and CalSTRS benefits.
- In our testing of terminated employees, we noted one (1) of nine (9) employees received payment well after his termination date. Overpayment from December 20, 2014 to March 15, 2015 is estimated to be \$6,120.00.

**Cause:** Because of the lack of controls over payroll and human resources, possibility of over/under payment of salaries occur, employee personnel files are not adequate, terminated employees are paid even after termination, and new employees are being paid in advance without proper approval.

**Effect:** Without proper oversight, terminated employees will continue to be paid after termination if controls are not put in place. Though the amount of overpayment may not be significant to AAS, sensitivity exists with the misuse of public funds. Improper object code classification in regards to personnel position can lead to misappropriation of expenses and improper personnel records. Proper controls regarding the alignment of position and salary control are essential to prevent over or under payment of salaries.

**Recommendations:** We recommend that AAS and EdHive ensure timely removal of terminated employees. We recommend that the actual amount of overpayment be determined and the former employee be contacted to arrange for repayment of the unearned wages. We strongly advise that legal guidance be obtained for proper handling of the matter. Controls over payroll and human resources need to be implemented to ensure proper procedures. We recommend that advance payment to employees for hours not yet worked either be avoided or must have prior approval from the Board of Directors

**Current Status:** Implemented

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINDING 2015-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000)**

**Criteria:** In accordance with *California Education Code Section 51747.5(b)* charter schools may claim apportionment credit for independent study only to the extent that time value of pupil work products as personally judged by a certificated teacher. A central element of the audit trail for charter school nonclassroom-based independent study average daily attendance (ADA) is contemporaneous records for each student identifying clearly each school day in a school calendar on which the student “engaged in required educational activities” to an extent sufficient to constitute at least one day of time value. Additionally, no ADA may be claimed from independent study until a written agreement is completed and in effect (*California Education Code Sections 46300.7 and 51747(c)(8)*).

**Condition:** In the testing of all twelve (12) nonclassroom-based charter schools operated by AAS, a sample of pupils from each charter was selected for testing. The below issues were found:

**Non-Resident Students:** Student(s) did not reside in the county or a contiguous county for the charter school attended

- *Academy of Arts and Sciences: Oxnard & Ventura:* One (1) student

**Missing Work Samples:** Student work samples were not available to support educational activities

- *Academy of Arts and Sciences: Thousand Oaks & Simi Valley:* One (1) student for the period of October 28 – November 25, 2015.
- *Cal Stem San Joaquin:* One (1) student for the period of November 12 – 25, 2014.

**Attendance Record:** Student(s) attendance days as determined by the teacher did not accurately reflect the apportionment within the attendance system.

- *Academy of Arts and Sciences: Oxnard & Ventura:* One (1) student’s days
- *Academy of Arts and Sciences: El Cajon Middle & High (6-12):* One (1) student’s days
- *Academy of Arts and Sciences: Los Angeles K-8:* One (1) student’s days

**Incomplete Master Agreements:** Master agreements were not on file, missing signatures, illegible or otherwise not sufficient

- *Academy of Arts and Sciences: Los Angeles 9-12:* Three (3) students’ master agreements
- *Academy of Arts and Sciences: Del Mar Middle & High:* One (1) student’s master agreement
- *Academy of Arts and Sciences: El Cajon Elementary:* One (1) student master agreement
- *Academy of Arts and Sciences: Fresno:* Four (4) student master agreements

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016

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FINDING 2015-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000) (continued)

**Condition (continued):** Additionally, in our review of the attendance records from all non-classroom-based charter schools operated by the Academy, we noted that the attendance system generated Grade Level Summary for the below mentioned schools did not match what was reported on the Second Period Attendance Report. The effects on the average daily attendance (ADA) during the annual attendance reporting period are also noted below:

**Second Period Attendance Report:**

- *Academy of Arts and Sciences: Thousand Oaks:* Total net overstatement of 1.40 ADA, resulting from 0.29 overstated ADA for grades 4-6, 1.10 overstated ADA for grades 7-8, and 0.01 overstated ADA for grades 9-12.
- *Academy of Arts and Sciences: El Cajon Elementary (K-5):* Total net understatement of 1.00 ADA, resulting from 1.00 understated ADA for grades K-3 Special Education.
- *Academy of Arts and Sciences: Oxnard & Ventura:* Total net overstatement of 1.77 ADA, resulting from 0.88 overstated ADA for grades K-3, 0.99 overstated ADA for grades 4-6, 1.94 understated ADA for grades 7-8, and 1.84 overstated ADA for grades 9-12.
- *Academy of Arts and Sciences: Fresno:* Total net understatement of 0.58 ADA, resulting from 0.29 understated ADA for grades 4-6 and 0.29 understated ADA for grades 7-8.
- *Academy of Arts and Sciences: Del Mar Elementary School:* Total net overstatement of 1.00 ADA, resulting from 1.00 overstated ADA for grades K-3.
- *Cal Stem San Joaquin:* Total net understatement of 0.09 ADA, resulting from 0.09 understated ADA for grades 7-8.

**Annual Attendance Report:**

- *Academy of Arts and Sciences: Thousand Oaks:* Total net overstatement of 1.00 ADA, resulting from 1.00 overstated ADA for grades 7-8.
- *Academy of Arts and Sciences: San Joaquin:* Total net overstatement of 3.54 ADA, resulting from 1.01 overstated ADA for grades K-3, 0.04 overstated ADA for grades 4-6, 0.27 overstated ADA for grades 7-8, and 2.22 overstated ADA for grades 9-12.
- *Cal Stem San Joaquin:* Total net understatement of 0.05 ADA, resulting from 0.05 understated ADA for grades 7-8.

**Effect:**

**Second Period Attendance Report ADA:**

- *Academy of Arts and Sciences: El Cajon Elementary:* Total net overstatement of 1.00 ADA for grades 4-6, resulting from the above mentioned incomplete master agreement.
- *Academy of Arts and Sciences: El Cajon Middle & High:* Total net overstatement of 0.50 ADA, resulting from the above mentioned attendance record discrepancy. Total overstatement of 0.50 ADA for grades 7-8.
- *Academy of Arts and Sciences: Del Mar Middle & High:* Total net overstatement of 0.47 ADA for grades 7-8, resulting from the above mentioned incomplete master agreement.



ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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FINDING 2015-2: ATTENDANCE FROM NON CLASSROOM-BASED INSTRUCTION (10000) (continued)

Effect (continued):

**Second Period Attendance Report ADA (continued):**

- *Academy of Arts and Sciences: Oxnard & Ventura:* Total net overstatement of 0.72 ADA for grades K-3, resulting from the above mentioned non-resident discrepancies in attendance records.
- *Academy of Arts and Sciences: Los Angeles K-8:* Total net overstatement of 3.23 ADA, resulting from the above mentioned attendance record discrepancy. Total overstatement of 0.23 ADA for grades K-3. Total overstatement of 2.00 ADA for grades 4-6. Total overstatement of 1.00 for grades 7-8.
- *Academy of Arts and Sciences: Los Angeles 9-12:* Total net overstatement of 2.12 ADA for grades 9-12, resulting from the above mentioned incomplete master agreements.
- *Academy of Arts and Sciences: Fresno:* Total net overstatement of 3.50 ADA, resulting from the above mentioned incomplete master agreements. Total overstatement of 1.50 ADA for grades K-3. Total overstatement of 2.00 ADA for grades 9-12.
- *Academy of Arts and Sciences: Thousand Oaks & Simi Valley:* Total net overstatement of 0.70 ADA for grades 9-12, resulting from the above mentioned missing work sample.
- *Cal Stem San Joaquin:* Total net overstatement of 1.00 ADA, resulting from the above mentioned missing work sample. Total overstatement of 1.00 ADA for grades 7-8.

**Cause:** Controls over attendance reporting and master agreement requirements are not in place to assure the amounts reported on the Second Period Attendance Report is accurate and will result in a restatement of ADA. Controls over attendance reporting are not in place to assure that the amounts reported on the Second Period and Annual Attendance Report are accurate.

**Questioned Cost:** A total of \$21,033 was calculated as due from the Academy for all noted attendance exceptions referenced above. *Refer to 2014-15 audit report for full calculation of questioned cost.*

**Recommendations:** We recommend that proper procedures be established to ensure that the data within the attendance system and the student's file are accurate.

**Current Status:** Not fully implemented. See Finding 2016-2.

**ACADEMY OF ARTS & SCIENCES**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING 2015-3: ATTENDANCE FROM CLASSROOM BASED INSTRUCTION (1000)**

**Criteria:** In accordance with California Education Code Section 47612.5(a)(2), a charter school shall, as a condition of apportionment, maintain written contemporaneous records that document all pupil attendance, and make these records available for audit and inspection. Beginning 2009-10, the CDE allowed for approved schools districts and county offices to replace manual teacher signatures with digital signatures or other electronic certification processes. This approval does not currently extend to charter schools.

**Condition:** Based on inquiry and observation, no physical records of attendance have been generated from the accounting software for timely review and approval by the certificated personnel who initially recorded the attendance data within the system for Valley Prep K-5 and for Valley Prep Academy 9-12.

**Valley Prep K-5:** Based on inquiry and observation, no physical records of attendance have been generated from the accounting software for timely review and approval by the certificated personnel who initially recorded the attendance data within the system. Additionally, the following errors were found:

- In our review of five (5) students selected from the tardy log, we noted two (2) exceptions whereas students were determined tardy but were marked in the attendance system for a full day absence. ADA was understated on the P-2 report by 0.02.
- We were unable to verify accurate attendance for another student as attendance history was not accessible by site personnel via the attendance system and teacher weekly rosters did not include the student. Because this student was not verifiable, amount due to charter is undeterminable.

**Valley Prep 6-8:** The following errors were found:

- From our review of five (5) teacher rosters, we noted three (3) did not have teacher signatures, and two (2) were signed but not dated.
- There were discrepancies between the teacher signed rosters as compared to the system attendance register or other errors as noted for two (2) of the five (5) rosters.
  - A roster tested noted a student as present but was marked absent in the system on October 16, 2014. Another student was marked absent on the roster but marked present in the system on that same day. Net effect on ADA is zero.
  - Another roster tested listed two students that were not noted in the attendance system for this teacher. Additionally, attendance did not appear to be taken by the teacher on October 23 and 24, 2015.
- In our review of ten (10) students selected from the tardy log, we noted one (1) exception. A student arrived late but was marked in the attendance system for a full day absence on October 10, 2014. ADA was understated on the P-2 by 0.01 ADA.

**Valley Prep Academy 9-12:** Based on inquiry and observation, no physical records of attendance have been generated from the accounting software for timely review and approval by the certificated personnel who initially recorded the attendance data within the system. Additionally, the following errors were found: In our review of twenty (20) absence notes, we noted exceptions with sixteen (16) involving source documents not matching with student records in the attendance system. In most cases, students were marked present in one to two non-consecutive class periods although absent notes were available to support the students full day absence. Based on inquiry, teachers have not been taking accurate attendance and error reports indicating one present and/or all present were not generated until roughly February or March 2015. This was for a total of 0.12 ADA overstated on the P-2 report.

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINDING 2015-3: ATTENDANCE FROM CLASSROOM BASED INSTRUCTION (10000) (continued)**

**Effect:** The Charter is not in compliance with State requirements regarding attendance reporting and record retention. Errors and anomalies in system information could go unnoticed without timely review of submitted data. ADA for Grades 4-6 was understated by.

**Cause:** Records to support contemporaneous origination data of student attendance are maintained electronically and not reviewed after initial submission within the attendance accounting system.

**Questioned Costs:** Total net dollar effect of \$832, calculated by charter school as follows:

**Valley Prep K-5:** The Charter's base grant ADA rate for Grades 4-6 is \$7,116; therefore, the understatement of 0.02 ADA equals an amount due to the charter of approximately \$142

**Valley Prep 6 – 8:** The Charter's base grant ADA rate for Grades 4-6 is \$7,116; therefore, the understatement of 0.01 ADA equals an amount due to the charter of approximately \$71.

**Valley Prep Academy 9-12:** The Charter's base grant ADA rate for Grades 9-12 is \$8,712; therefore, the overstatement of 0.12 ADA equals an amount due from the charter of approximately \$1,045.

**Recommendation:** It is recommended that physical contemporaneous records be maintained. Pupil attendance records should include teachers signing and dating timely printouts of electronic attendance data previously entered into the attendance system we recommend that the P-2 attendance report be revised to indicate the correct ADA amount for Grades 4-6 for Valley Prep K-5. Additionally, procedures over revisions to system information should be established to include proper communication to personnel generating system information for attendance reporting purposes as well as prevent untimely edits to system information.

**Current Status:** Implemented.

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINDING 2015-4: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA (LCFF) PUPIL COUNT (40000)**

**Criteria:** Students classified as Free or Reduced Priced Meal (FRPM) eligible and/or English Learners (EL), who are not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report, must have supporting documentation that indicates the student was eligible for this designation. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. In accordance with CCR §11511(1)(b), “the English language proficiency of all currently enrolled English learners shall be assessed by administering the test (CELDT) during the annual assessment window” with the “annual assessment window” beginning on July 1 and ending October 31 of each school year. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies*.

**Condition:** Based on review and testing of student designations from the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report for each charter, we noted the following:

**Cal Stem San Joaquin**

- One (1) of 4 students designated as *Free or Reduced Priced Meals* (FRPM) did not agree with the FRPM designation. Student *Family Income Verification Form* was incomplete and we were unable to verify designation.
- Three (3) of 3 students tested, designated as EL (English Learner) and non-FRPM, did not have CELDT scores, Home Language Survey or other supporting documentation to support classification of EL status.

**Del Mar Elementary School**

- Exception noted for one (1) of 6 students designated as FRPM. Family Income Verification Form or other form of supporting documentation was not provided to verify student FRPM status.

**El Cajon Middle & High School**

- Exceptions were noted for five (5) of 18 students designated as FRPM. One (1) of 5 students did not have an income verification form or other documentation available to support the FRPM status. Three (3) of 5 income verification forms were incomplete; we were unable to determine FRPM status. Based on review of income verification form, one (1) of 5 students should have been paid status.
- Based on review of CELDT exam, one (1) of 3 students classified as EL and non-FRPM should have been reclassified.

**Fresno**

- One (1) of 6 students designated as FRPM did not have an income verification form or other support to verify FRPM status.
- CELDT exam, Home Language Survey or other support was not provided for one (1) of 3 students classified as EL and non- FRPM.

**Los Angeles K-8**

- Exception was noted for one (1) of 7 students designated as FRPM. Family Income form was incomplete; therefore, we were unable to verify FRPM status.
- CELDT exam, Home Language Survey or other support was not provided for one (1) of 3 students classified as EL and non- FRPM.

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FOR THE YEAR ENDED JUNE 30, 2016

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FINDING 2015-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)

**Condition (continued):**

**Los Angeles 9-12**

- Exception noted for one (1) of 6 students designated as FRPM. Family Income Verification Form or other form of supporting documentation was not provided to verify student FRPM status.
- CELDT exam, Home Language Survey or other support was not provided for one (1) of 1 student classified as EL and non- FRPM.

**San Joaquin**

- Two (2) of 5 students selected from the *CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List*, designated as FRPM tested with exceptions. Based on review of income verification form, one (1) of 2 students designated at FRMP should have been paid status. One (1) of 2 students did not have an income verification form available to support their status.
- Based on review of Home Language Survey, one (1) of 2 students classified as EL and non-FRPM should have been reclassified.

**Sonoma**

- Exceptions noted for two (2) of 3 students classified as EL and non- FRPM. One (1) of 2 students did not have a Home Language Survey or other documentation available to support status. Based on review of one (1) of 2 Home Language Surveys, student should be reclassified.

**Thousand Oaks & Simi Valley**

- Four (4) of 10 students classified as FRPM tested with exceptions. Income verification forms were incomplete and we were unable to verify student designation.
- One (1) of 2 students classified as English Learner (EL) and FRPM did not have CEDLT scores, income verification form, or other documentation available to support their status.

**Valley Prep K-5**

- Two (2) of 6 students classified as FRPM tested with exceptions. Income verification forms were incomplete and we were unable to verify student designation.
- Based on review of income verification forms, two (2) of 4 students classified as English Learner (EL) and FRPM tested with exceptions. Income verification forms were incomplete and we were unable to determine student designation.

**Valley Prep 6-8**

- One (1) of 3 students selected from the *CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List*, designated as FRPM tested with an exception. Based on review of income verification form students should have been paid status.

ACADEMY OF ARTS & SCIENCES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINDING 2015-4: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)**

**Condition (continued):**

**Valley Prep Academy 9-12**

- Eight (8) of 10 students selected from the *CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List*, designated as FRPM tested with exceptions. Based on review of income verification form students should have been paid status.
- Based on review of income verification form, one (1) of 1 student with EL and FRPM designation did not agree with FRPM status. Income verification form was incomplete and we were unable to determine designation.

**Effect:** The Charter is not in compliance with State requirements. Errors in the Unduplicated Pupil Count per charter school were extrapolated by finding the percentage of error and multiplying by the number of students in each designation (FRPM, EL, or FRPM and EL). Errors per charter are as follows: 10 of 20 for Cal Stem San Joaquin, 8 of 48 for Del Mar Elementary, 33 of 116 for El Cajon Middle and High, 5 of 26 for Fresno, 10 of 68 for Los Angeles K-8, 7 of 26 for Los Angeles 9-12, 22 of 54 for San Joaquin, 3 of 5 for Sonoma, 40 of 99 for Thousand Oaks and Simi Valley, 17 of 44 for Valley Prep K-5, 2 of 13 for Valley Prep 6-8, and 9 of 11 for Valley Prep 9-12.

**Cause:** Documentation for FRPM and/or EL designations did not support the Unduplicated Pupil Count per charter school resulting in inaccuracies and support for designations were not retained by the charter school.

**Questioned Costs:** \$77,113. Refer to 2015-16 audit report with original and full calculations for questioned cost.

- |   |   |
|---|---|
| • Cal Stem San Joaquin – \$3,415                | • Valley Prep 6-8 – \$3,226             |
| • AAS: San Joaquin – \$9,149                    | • Valley Prep High – \$2,230            |
| • AAS: Sonoma – \$1,021                         | • Los Angeles K-8 – \$2,665             |
| • AAS: Fresno – \$2,023                         | • Los Angeles 9-12 – \$2,081            |
| • AAS: Thousand Oaks and Simi Valley – \$18,327 | • AAS: Del Mar Elementary – \$2,529     |
| • Valley Prep K-5 – \$22,116                    | • AAS: El Cajon Middle & High – \$8,331 |

**Recommendation:** We recommend that all household income documentation and documentation to support EL status be reviewed and obtained for accurate CALPADS reporting.

**Current Status:** Not implemented. See Finding 2016-4.