

January 19, 2018

To the Board of Directors of
Compass Charter Schools
Thousand Oaks, California

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

We have audited the financial statements of Compass Charter Schools (the Organization) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as, certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Compass Charter Schools are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Organization's financial statements was:

CalSTRS On-Behalf Payments: Management's estimate of the STRS on-behalf contributions (Note 8) is based on guidance provided by the State of California and the California Department of Education. We evaluated the key factors and assumptions used to develop the STRS on-behalf amounts in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. A reissued audit report was deemed necessary due to the timing of relevant and material information. These difficulties are further noted in this letter within "other findings or issues."

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Significant Audit Findings (continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, there were no misstatements detected as a result of audit procedures. Management did however become aware of a material misstatement after the close of the audit. The misstatement has been corrected and resulted in reissued financial statements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter originally dated November 17, 2017. An updated letter of management representations was obtained, dated January 5, 2018, as a result of the reissued financial report.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

We did encounter an issue that did not appear to rise to the level of an audit finding; however, we have had discussions with management and have made certain recommendations regarding the following:

Inadequate Closing Process: During the conclusion of the audit, information regarding an accounts payable item incurred in October 2016 for \$289,600 was discovered and brought to our attention. As a result of this material financial transaction, the client has made certain adjustments and prompted the need for a reissued audit report. Additionally, various other accounting adjustments were recorded to change the recognition of internal transfers and allocations. The Organization should have an adequate process in place to ensure that the financial records are complete and final prior to submitting closed records for audit. The process for closing the financial records appeared inadequate for the fiscal year ended June 30, 2017; however, we feel that these issues are limited to this particular fiscal year. We recommend that the Organization work closely with the back-office provider to ensure all financial records are complete and finalized within a reasonable time period following fiscal year end.

Other Matters

We were engaged to report on various items of supplementary information (statements by charter, average daily attendance schedules, and schedule of instructional time), which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Sincerely,

A handwritten signature in cursive script that reads "Christy White Associates".

Christy White Associates