

**NEW OPPORTUNITIES CHARTER SCHOOL**

**Los Angeles, California**

**AUDIT REPORT**

**For the Fiscal Year Ended  
June 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
New Opportunities Charter School  
Los Angeles, California

### **Report on the Financial Statement.**

We have audited the accompanying financial statements of the New Opportunities Charter School (the "Charter"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the years 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Charter'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 Charter's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter as of June 30, 2014, 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 New Opportunities Charter School 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 18, 2014, on our consideration of the Charter'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 Charter's internal control over financial reporting and compliance.

San Diego, California  
November 18, 2014

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***Financial Section***

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	216,740
Accounts receivable		890,129
Employee advances		5,751
<b>Total Assets</b>		<u>1,112,620</u>

**LIABILITIES**

Accounts payable		268,644
<b>Total Liabilities</b>		<u>268,644</u>

**NET ASSETS**

Unrestricted		843,976
<b>Total Net Assets</b>		<u>843,976</u>
<b>Total Liabilities and Net Assets</b>	\$	<u>1,112,620</u>

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

**SUPPORT AND REVENUES**

Federal and state support and revenues	
General purpose entitlement	\$ 896,260
Revenue limit	1,239,821
Other state revenues	53,561
Local support and revenues	
Payments in lieu of property taxes	722,386
Investment income, net	1,744
<b>Total Support and Revenues</b>	<u>2,913,772</u>

**EXPENSES**

Program services	1,457,238
Management and general	612,558
<b>Total Operating Expenses</b>	<u>2,069,796</u>

**CHANGE IN NET ASSETS** 843,976

**Net Assets - Beginning** -

**Net Assets - Ending** \$ 843,976

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

**NEW OPPORTUNITIES CHARTER SCHOOL**  
**Statement of Functional Expenses**  
**For the Fiscal Year Ended June 30, 2014**

**FINAL DRAFT - 12.15.14**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 872,118	\$ -	\$ 872,118
Classified salaries	118,214	41,303	159,517
Other employee benefits	335,990	65,129	401,119
Total personnel expenses	<u>1,326,322</u>	<u>106,432</u>	<u>1,432,754</u>
Non-personnel expenses			-
Books and supplies	29,886	-	29,886
Professional services	47,310	505,045	552,355
Travel and conference	5,605	-	5,605
Other operating expenses	48,115	1,081	49,196
Total non-personnel expenses	<u>130,916</u>	<u>506,126</u>	<u>637,042</u>
<b>Total Operating Expenses</b>	<u>\$ 1,457,238</u>	<u>\$ 612,558</u>	<u>\$ 2,069,796</u>

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



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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 843,976
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in:	
Accounts receivable	(890,129)
Employee advances	(5,751)
Accounts payable	268,644
<b>Net Cash Provided by Operating Activities</b>	<u>216,740</u>
Net increase in cash and cash equivalents	216,740
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>-</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>216,740</u>

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

New Opportunities Charter School (the "Charter") was formed as a nonprofit public benefit corporation on June 17, 2013 for the purpose of operating as a California public school located in Los Angeles County. The Charter was approved by the State Board of Education on July 1, 2013 as California Charter No. 1557. During the year ended June 30, 2014, the Charter served grades 9-12. Funding sources primarily consist of local control funding formula (LCFF) state apportionments, in lieu of property tax revenues, and grants and donations from the public.

***Basis of Accounting***

The Charter'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.

***Financial Statement Presentation***

The Charter 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 Charter's financial statement presentation.

***Functional Expenses***

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

***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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

***Cash and Cash Equivalents***

The Charter considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

***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.

***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 the Charter. Revenues are recognized by the Charter when earned.

***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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

***Income Taxes***

New Opportunities Charter School is a 170(b)(1)(A)(ii) publicly supported nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public charity. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

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

***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, 2014, consist of the following:

Cash in county treasury	\$ 206,740
Revolving cash	10,000
<b>Total cash and cash equivalents</b>	<b>\$ 216,740</b>

***Cash in County Treasury***

The Charter is a voluntary participant in an external investment pool. The fair value of the Charter's investment in the pool is reported in the financial statements at amounts based upon the Charter'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.

Except for investments by trustees of debt proceeds, the authority to invest Charter 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 Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment 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	40%	10%
Negotiable Certificates of Deposit	5 years	40%	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 2 – CASH AND CASH EQUIVALENTS, continued**

***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. The Charter has adopted a cash management policy that addresses investment options as well as actions to be taken in the event that deposits exceed FDIC insurance limits. The FDIC insures 100% of non-interest bearing accounts and up to \$250,000 per depositor on interest bearing accounts per insured bank. As of June 30, 2014, the Charter's bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 in interest bearing accounts at any one insured bank.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2014, consists of the following:

Due From Grantor Governments:	
California Department of Education	\$ 862,180
Centinela Valley Union High School District	27,949
Total Accounts Receivable	<u>\$ 890,129</u>

**NOTE 4 – RELATED PARTY TRANSACTIONS**

***Authorizing Agency***

New Opportunities Charter School is authorized to operate as a charter school through Centinela Valley Union High School District (the "authorizing agency"). On March 5, 2013, the Board of Directors of Centinela Valley Union High School District approved a charter renewal for the Charter for a 5 year term beginning July 1, 2013 and expiring on June 30, 2018.

As the authorizing agency, many funding sources for the Charter are passed through Centinela Valley Union High School District. As a result, the Charter had a total receivable of \$27,949 due from the authorizing agency as of June 30, 2014.

The Charter makes payments to the authorizing agency for administrative services and oversight. Fees associated with administrative services and oversight consisted of 17% of revenues from apportionments or \$546,267.

**NOTE 5 – EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plan maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and non-certificated employees are covered by an alternative plan.

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

Plan Description

New Opportunities Charter School 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 8.0% of their salary. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for 2013-14 was \$68,981.

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 the Charter is estimated and recorded as \$31,374 (5.204% of creditable compensation subject to CalSTRS in 2013-14).

***Alternative Plan***

As established by federal law, all public sector employees who are not members of their employer's existing retirement plan (CalSTRS) must be covered by social security or an alternative plan. The Organization uses social security as their alternative plan.

**NOTE 6 – DONATED MATERIALS AND SERVICES**

During the year, many parents, administrators and other individuals donated significant amounts of time and services to the Charter in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

***Governmental Funds***

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

**NOTE 8 – SUBSEQUENT EVENTS**

The Charter's management has evaluated subsequent events for the period from June 30, 2014 through November 18, 2014, the date the financial statements were available to be issued. On August 21, 2014, the Board of Directors of the Charter approved a charter management agreement with EdTech by which the Charter administrative functions will be provided by EdTech. Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.



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***Supplementary Information Section***

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New Opportunities Charter School, located in Los Angeles County, was formed as a nonprofit public benefit corporation on June 17, 2013 and approved by the State Board of Education on July 1, 2013. The Charter was authorized to operate as a charter school through Centinela Valley Union High School District. Classes began in 2013 for grades 9 to 12. The Charter's charter number is 1557.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Bernie Konig	President	4/11/2016
Troy Hilliard	Secretary	4/11/2016
Francisco Carrillo	Treasurer	4/11/2016
Lulu Camberos	Member	5/21/2016
Luz Lozano	Member	3/13/2017

ADMINISTRATION

Paul Guzman  
*Executive Director*

	Classroom Based	
	Second Period Report	Annual Report
<b>Grades 9 - 12</b>		
Regular ADA	351.98	361.45
<b>Total Average Daily Attendance - Classroom Based</b>	<b>351.98</b>	<b>361.45</b>

*The Charter had no Non-Classroom Based ADA in 2013-14.*

Grade Level	Minutes Requirement	Reduced Minutes	2013-14 Actual Minutes	Number of Days Traditional Calendar	Status
Grades 9-12	64,800	62,949	65,520	175	Complied

*There were no adjustments made to reconcile fund balance reported on the Financial Report – Alternative Form to net assets per the audited financial statements for the year ended June 30, 2014.*

***Charter Organizational Structure***

This schedule provides information about the Charter's authorizing agency, grades served, and members of the governing body, and administration.

***Schedule of Average Daily Attendance***

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.

***Schedule of Instructional Time***

This schedule presents information on the amount of instructional time offered by the Charter. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to Education Code Section 46201.2.

***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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**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  
New Opportunities Charter School  
Los Angeles, 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 New Opportunities Charter School (the "Charter") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated November 18, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter'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 Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter'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.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter'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*.

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

San Diego, California  
November 18, 2014

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

To the Board of Directors of  
New Opportunities Charter School  
Los Angeles, California

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

We have audited New Opportunities Charter School's compliance with the types of compliance requirements described in the Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2013-14, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of New Opportunities Charter School's state programs for the fiscal year ended June 30, 2014, as identified below.

#### **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 New Opportunities Elementary Charter School's 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 Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14, 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 New Opportunities Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of New Opportunities Charter School's compliance with those requirements.

## Opinion on State Compliance

In our opinion, New Opportunities Charter School 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, 2014.

### Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine New Opportunities Charter School's compliance with the state laws and regulations applicable to the following items:

Description	Procedures in Audit Guide	Procedures Performed
School Districts and Charter Schools		
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools		
Contemporaneous Records of Attendance	8	Yes
Mode of Instruction	1	Yes
Nonclassroom - Based Instruction/Independent Study	15	Yes
Determination of Funding for Nonclassroom - Based Instruction	3	Not applicable
Annual Instructional Minutes - Classroom Based	4	Yes
Charter School Facility Grant Program	1	Yes

San Diego, California

November 18, 2014

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***Schedule of Findings and Questioned Costs***

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Modified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

*Not applicable because the Charter did not expend \$500,000  
in federal expenditures in fiscal year 2013-14.*

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Modified</u>

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<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control

**FINDING 2014-1** – OPERATING AGREEMENTS WITH SPONSORING DISTRICT (30000)

**Criteria:** Related party arrangements between a charter school and its authorizing agency, for items such as leased space, management and administrative services and any other significant transactions should be contractually documented and signed by both parties.

**Condition:** The charter school relied on a non-descriptive, unsigned budget to determine charges from Centinela Valley Union High School District for administrative services and rent.

**Cause:** The charter budget document was used in place of a formal agreement.

**Effect:** Without contractual agreements in place, there exists potential for confusion and dispute of terms.

**Questioned Costs:** None noted.

**Recommendation:** We recommend the Charter obtain signed agreements for all activity

**Charter Response:** New Opportunities Charter School Board and Administration recognized this issue and has taken steps to become more transparent. New Opportunities Charter School led the development of an MOU for Business Services listing specific costs for authorization, rental fees, security, maintenance and other services Centinela Valley Union High School District is providing to the Charter. This MOU for Business Services was approved by the Centinela Valley Union High School District Board of Trustees during their regular meeting held on October 14, 2014.

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
70000	Internal Control

**FINDING 2014-2 - ATTENDANCE (10000)**

**Criteria:** Regular class attendance submitted to the California Department of Education should reconcile to the supporting documents that support the local education agency's Average Daily Attendance in accordance with California Education Code Section 46000 et seq.

**Condition:** Through our testing of attendance, we sampled 191 student attendance days and found 33 instances in which records were not on file to support pupils attendance as claimed. The 33 days of overstatement resulted from discrepancies between the attendance claimed at P-2 and the signed teacher rosters on file to support daily attendance.

**Cause:** Source documents of attendance were not properly organized and maintained for the 2013-14 fiscal year.

**Effect:** The Charter is out of compliance with the State's requirements regarding attendance reporting and apportionment was overstated by 33 days resulting in an overstatement of .27 ADA on the Second Period (P2) attendance report and .27 ADA on the Annual attendance report.

**Questioned Costs:** The .27 ADA in question resulted in an overstatement of apportionment funding in the amount of \$2,317.51.

**Recommendation:** We recommend that the Charter revise the P2 and Annual attendance reports to accurately account for the reduced apportionment. Attendance personnel should implement a system to verify that all claimed attendance is properly supported by source documentation.

**Charter Response:** The Charter will implement a procedure to ensure timely review and reconciliation of claimed attendance. Training will be provided for attendance personnel to ensure proper compliance with policies and procedures.

**Charter Response:** The Charter school recognizes these attendances issues. New Opportunities Charter School has taken steps to improve our attendance reporting, all sites now have Site Coordinators that will closely monitor that data is accurate. For 2014-2015 school year, a Data Coordinator has been hired to supervise all Site Coordinators. New Opportunities Charter School contracted with EdTec to provide back office support services and data management. With this new team Family First Charter School is committed to report accurate attendance data and meet all deadlines.

**FINDING 2014-3 – LOCAL CONTROL FUNDING FORMULA CERTIFICATION (40000)**

**Criteria:** The charter school shall confirm in writing its awareness of the requirements of the Local Control Funding Formula pursuant to Education Code Sections 2574, 2575, 42238.02, 42238.03, and 42238.07, as applicable, for the 2013-14 fiscal year.

**Condition:** The charter school did not confirm in writing its awareness of the requirements of the Local Control Funding Formula for fiscal year 2013-14.

**Cause:** Unknown.

**Effect:** The Charter did not meet the requirements of documenting its awareness of the requirements of the Local Control Funding Formula for fiscal year 2013-14.

**Questioned Costs:** None noted.

**Recommendation:** We recommend that the Charter adopt a written certification of its understanding that is signed by an authorized designee for the 2014-15 fiscal year.

**Charter Response:** During the June 12, 2014, regular Board meeting, Charter administration developed and made a Local Accountability Plan presentation to the Board of Directors and community members attending the meeting. The New Opportunities Charter School Board of Directors adopted the LCAP and it was sent to the authorizing district. The Charter school was unaware of the need to certify their Local Control Funding Formula for fiscal year 2013-14. As of December 15, 2014, the Charter school has signed and filed their Local Control Funding Formula Certification for 2014-15.



**FINDING 2014-4** – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

**Criteria:** Charter schools should report accurate certified student classifications on the 1.17 – FRPM/English Learner/Foster Youth – Count and the 1.18 – FRPM / English Learner / Foster Youth – Student List

**Condition:** The charter school did not report any data on the 2013–14 California Longitudinal Pupil Achievement Data System (CALPADS) Fall Submission

**Cause:** Unknown

**Effect:** The Charter did not meet the requirements of reporting unduplicated pupil counts

**Questioned Costs:** No questioned costs were noted as the Charter did not receive LCFF supplemental funding during 2013-14

**Recommendation:** We recommend that the Charter ensure that all reporting requirements are met

**Charter Response:** During the first year of operations of the New Opportunities Charter School, Centinela Valley Union High School District was contracted to provide back office and data support to the Charter. However, in December 2013, the Charter school’s Executive Director was made aware by CalPADS that the New Opportunities Charter School was not even registered in their system. Centinela Valley Union High School District then informed the Executive Director the Charter had to self-report. Though extremely behind the deadline, the Charter school contracted a Powerschool consultant to assist with this CalPADS issue. The Charter did timely submit Fall2 and End of the Year CalPADS data. For 2014-15 the Charter contracted with EdTec to provide back office support which includes expert data support. EdTec’s closely supervises so data is accurate and submitted on a timely manner. For 2014-15 all school sites now have Site Coordinators that will input data accurately. A Data Coordinator has been hired to supervise the Site Coordinators. New Opportunities Charter School is committed to meet all CalPADS deadlines for 2014-15 school year.

*There were no prior audit findings or questioned costs as the Charter began its operations on July 1, 2013.*