



**FAMILY FIRST CHARTER SCHOOL**

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**June 30, 2015**

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***Financial Section***

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**FAMILY FIRST CHARTER SCHOOL**  
**Statement of Financial Position**  
**June 30, 2015**

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**ASSETS**

Cash and cash equivalent	776,204
Accounts receivable	1,017,098
Prepaid expense	2,167
<b>Total Assets</b>	<u>1,795,469</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges	<u>52,119</u>
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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	254,505
Other current liabilities	51,577
<b>Total Current Liabilities</b>	<u>306,082</u>

**NONCURRENT LIABILITIES**

Net pension liability	686,762
<b>Total Noncurrent Liabilities</b>	<u>686,762</u>
<b>Total Liabilities</b>	<u>992,844</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows on unrealized pension investment gains	<u>185,161</u>
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**NET ASSETS**

Unrestricted	669,583
<b>Total Net Assets</b>	<u>\$ 669,583</u>

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



**FAMILY FIRST CHARTER SCHOOL**  
**Statement of Functional Expenses**  
**For the Fiscal Year Ended June 30, 2015**

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	Program Services	Management and General	Total
<b>EXPENSES</b>			
Personnel expenses			
Certificated salaries	\$ 857,312	\$ 116,906	\$ 974,218
Classified salaries	85,761	128,641	214,402
Other employee benefits	299,190	79,532	378,722
Total personnel expenses	<u>1,242,263</u>	<u>325,079</u>	<u>1,567,342</u>
Non-personnel expenses			
Books and supplies	69,554	856	70,410
Travel and conference	744	186	930
Insurance	13,306	3,327	16,633
Rental, Leases, and Repairs	22,070	5,517	27,587
Professional services	222,203	55,551	277,754
Communications	3,774	943	4,717
Operation and housekeeping services	97,257	24,314	121,571
Other operating expenses	776	194	970
Total non-personnel expenses	<u>429,684</u>	<u>90,888</u>	<u>520,572</u>
<b>Total Operating Expenses</b>	<u>\$ 1,671,947</u>	<u>\$ 415,967</u>	<u>\$ 2,087,914</u>

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



**FAMILY FIRST CHARTER SCHOOL**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2015**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 1,105,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in:	
Accounts receivable	(589,596)
Employee advances	4,173
Prepaid expense	(2,167)
Accounts payable	(9,638)
Other current liabilities	51,577
<b>Net Cash Provided by Operating Activities</b>	<u>560,250</u>
Net increase in cash and cash equivalents	560,250
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>215,954</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 776,204</u>

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

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

***Reporting Entity***

Family First 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. 1558. 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.

***Income Taxes***

Family First 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.

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

***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.

***New Accounting Pronouncements***

In June 2015, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

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

***New Accounting Pronouncements, continued***

OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

***New Accounting Pronouncements, continued***

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2015, consist of the following:

Cash in banks	\$ 766,204
Revolving cash	10,000
Total	<u>\$ 776,204</u>

***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.

**NOTE 2 – CASH AND CASH EQUIVALENTS, continued**

***Cash in County Treasury, continued***

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

***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. The California Government Code also requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the Charter's bank balance was exposed to custodial credit risk as there were deposits over \$250,000, the amount exceeding \$250,000 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Charter.

**FAMILY FIRST CHARTER SCHOOL**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2015, consists of the following:

Due From Grantor Governments:	
California Department of Education	\$ 248,047
Centinela Valley Union High School District	761,189
Other local receivables	7,862
Total Accounts Receivable	<u>\$ 1,017,098</u>

**NOTE 4 – RELATED PARTY TRANSACTIONS**

***Authorizing Agency***

Family First 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 pass through the Centinela Valley Union High School District. As a result, the Charter had a total receivable of \$761,189 due from the authorizing agency as of June 30, 2015.

On August 21, 2014, the Board of Directors of the Charter approved a charter management agreement with EdTec Inc. to provide administrative function services to the Charter. Prior to this agreement, the Charter made payments to the authorizing agency for administrative services and oversight. During the prior fiscal year 2013-14, fees associated with administrative services and oversight consisted of 17% of revenues from apportionments or \$389,142.



**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

Family First 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 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for 2014-15 was \$81,800.

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 \$47,398 (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 – PENSION PLANS**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS)**

***General Information about the Pension Plan***

**Plan Description** – CalSTRS provides pension benefits to California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system. The Teachers’ Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established these plans and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation.

**Benefits Provided** - The State Teachers’ Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The Plans’ provisions and benefits in effect at June 30, 2015 are established by statute.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

Under California law, the DB Program receives contributions from members and employers set as a percentage of members’ earnings, in addition to contributions from the state’s General Fund and other sources. CalSTRS investment earnings finance the cost of administering the plan and offset the amount of contributions required to fund benefits. Unlike most other pension plans in California, the board does not have broad authority to raise contribution rates. Because contribution rates are set in statute, the authority to adjust them rests with the Legislature and the Governor.

**FAMILY FIRST CHARTER SCHOOL**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 6 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Plan Contributions**

		<b>FY 2014-15 Rate</b>	<b>Ultimate Rate</b>	<b>Equivalent Rate <sup>1</sup></b>
EC § 22901 & § 22901.7	Members	8.15% / 8.15%	10.25% / 9.205%	9.654%
EC §22950 & § 22951	Employers	8.25%	8.25%	8.250%
	Employers –			
EC § 22950.5(a)	Supplemental <sup>2</sup>	0.63%	10.85%	8.662%
EC §22950(c)	Employers for THBF <sup>3</sup>	0.00%	<i>as needed</i>	0.000%
EC § 22955.1(a)	State <sup>4</sup>	2.017%	2.02%	1.868%
EC § 22955.1(b)	State – Supplemental	1.437%	4.31%	3.794%
<b>Equivalent Level Contribution Rate through June 30, 2046</b>				<b>32.228%</b>

<sup>1</sup> Equivalent level contribution rate payable through June 30, 2046.

<sup>2</sup> Graded increases per schedule defined in the Education Code. The ultimate contribution will vary depending on the funded status. For purposes of this exhibit, it is assumed the ultimate rate specified in the graded schedule will not change in the future.

<sup>3</sup> The Teachers’ Health Benefit Fund is financed by a redirection of employer contributions. The Teachers’ Retirement Board has set aside DB Program assets to finance these future costs. This is reflected in the valuation by adding the unfunded obligation for future THBF benefits to the Actuarial Obligation of the DB Program.

<sup>4</sup> The State’s contribution of 2.017% is paid quarterly based on second prior fiscal year salaries.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS**

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability totaled \$751,673. The State’s proportionate share of the net pension liability that was associated with the District was \$762,361.

**FAMILY FIRST CHARTER SCHOOL**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 6 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS, continued**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s proportionate share of total CalSTRS calculated employer contributions, including the State. At June 30, 2014, the District’s proportion was 0.037%.

The components of the net pension liability of the STRP as of June 30, 2014 and 2013, are as follows:

(dollar in millions)	2014	2013
Total pension liability	\$ 248,911	\$ 237,786
Less: STRP fiduciary net position	190,474	166,348
Net pension liability of employers of the State	<u>\$ 58,437</u>	<u>\$ 71,438</u>

For the year ended June 30, 2015, the District recognized pension expense of \$64,911 and revenue of the same amount for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 185,161
District contributions subsequent to the measurement date	52,119	-
Total	<u>\$ 52,119</u>	<u>\$ 185,161</u>

The \$52,119 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$185,161 reported as deferred inflows of resources related to pensions will be amortized over the next four years as a pension expense.

**FAMILY FIRST CHARTER SCHOOL**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 6 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Actuarial Assumptions**

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Discount Rate	7.60%
Investment rate of return	7.60%, net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.50% assumed investment rate of return for funding purposes, which is net of administrative expenses.
Consumer price inflation	3.00%
Wage growth	3.75%
Post-retirement benefit increases	2.00% simple for DB Not applicable for DBS/CBB

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

**Time-Weighted Performance Returns**

Asset Class	Actual Allocation as of				
	June 30, 2014	1 Yr	3 Yr	5 Yr	10 Yr
Global Equity	57.30%	24.73%	13.00%	16.80%	8.30%
Fixed Income	15.50%	5.80%	4.60%	6.30%	5.50%
Real Estate	11.70%	14.50%	12.60%	8.00%	7.40%
Private Equity	11.50%	19.60%	13.00%	16.60%	13.80%
Cash/Liquidity	2.50%	0.60%	2.40%	5.60%	2.00%
Inflation Sensitive	0.70%	10.50%	5.80%	-	-
Absolute Return	0.80%	0.10%	0.30%	-	-
Total	100.00%	18.70%	11.20%	13.70%	7.70%

**NOTE 6 – PENSION PLANS, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Discount rate** - The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate** – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60% percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	Discount Rates		
	-1% (6.6%)	(7.6%)	1% (8.6%)
Plan’s net pension liability	\$ 4,264,911	\$ 751,673	\$ 160,824

**Pension plan fiduciary net position** - Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS CAFR at <http://www.calstrs.com/comprehensive-annual-financial-report>.

**NOTE 7 – 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 8 – 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 9 – SUBSEQUENT EVENTS**

The Charter evaluated subsequent events from June 30, 2015 through December 2, 2015, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

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***Required Supplementary Information***

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**FAMILY FIRST CHARTER SCHOOL**  
**Schedule of Proportional Share of the Net Pension Liability**  
**June 30, 2015**

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<b>CaSTRS</b>		<u>2015</u>
Proportion of the net pension liability		0.001%
Proportion share of the net pension liability	\$	751,673
Covered - employee payroll	\$	353,672
Proportionate Share of the net pension liability as percentage of covered-employee payroll		212.53%
Plan's fiduciary net position	\$	2,450,895
Plan fiduciary net position as a percentage of the total pension liability		2.66%

**FAMILY FIRST CHARTER SCHOOL**  
**Schedule of Contributions**  
**June 30, 2015**

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<b>CalSTRS</b>	<b>Reporting Fiscal Year</b>	
	2015	
Statutorily required contribution	\$	52,119
District's contributions in relation to the statutorily required contribution		52,119
District's contribution deficiency (excess)		-
District's covered-employee payroll	\$	353,672
District's contributions as a percentage of covered-employee payroll		14.74%

**Notes to schedule:**

Valuation date	June 30, 2013
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Periods	30 years
Asset Valuation Method	Smoothing of Market Value
Inflation	2.75%
Salary Increases	Varies, based on entry age and service
Investment Rate of Return	7.50%

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***Supplementary Information Section***

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**FAMILY FIRST CHARTER SCHOOL**  
**Charter Organizational Structure**  
**June 30, 2015**

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Family First 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 1558.

**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
Vacant	Member	N/A

**ADMINISTRATION**

Paul Guzman  
*Executive Director*

**FAMILY FIRST CHARTER SCHOOL**  
**Schedule of Average Daily Attendance**  
**June 30, 2015**

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	Second Period Report	Revised Second Period Report*	Annual Report	Revised Annual Report*
<b>Secondary</b>				
Grades 9-12:				
Regular ADA	351.04	328.93	340.72	317.84
<b>Total Average Daily Attendance - Classroom Based</b>	351.04	328.93	340.72	317.84

\*The Charter has revised second period and annual to include the audit finding reported, see finding #2015-1.

**FAMILY FIRST CHARTER SCHOOL**  
**Schedule of Instructional Time**  
**June 30, 2015**

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Grade Level	Minutes Requirement	Reduced Minutes	2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
Grades 9-12	64,800	62,949	63,000	175	Complied

**FAMILY FIRST CHARTER SCHOOL**  
**Reconciliation of Financial Report – Alternative Form with Audited Financial Statements**  
**June 30, 2015**

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*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, 2015.*











## REPORT ON STATE COMPLIANCE

### Independent Auditor's Report

To the Board of Directors of  
Family First Charter School  
Lawndale, California

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

We have audited Family First Charter School's (the "Charter's") compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2014-15*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of the Charter's state programs for the fiscal year ended June 30, 2015, 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 the Charter'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 2014-15*, 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 the Charter'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 the Charter's compliance with those requirements.

#### **Basis for Qualified Opinion on State Compliance**

As described in the Schedule of Findings and Questioned Costs as finding #2015-1 Family First Charter School did not comply with all requirements as described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2014-15*, issued by the California Education Audit Appeals Panel. Compliance with such requirements is necessary, in our opinion, for Family First Charter School to comply with the requirements applicable to the charter.

## Qualified Opinion on State Compliance

In our opinion, except for the noncompliance noted in the Basis for Qualified Opinion paragraph, Family First Charter School complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs for the year ended June 30, 2015.

## Unmodified Opinion on Each of the Other State Programs

In our opinion, Family First Charter School complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the other state programs for the year ended June 30, 2015.

## Procedures Performed

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

Description	Procedures Performed
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	No, see below

The Charter did not receive or spend any California Clean Energy Jobs Act funds during the current year, therefore, we did not perform any procedures related to the California Clean Energy Jobs Act.

The Charter did participate in the After School Education and Safety (ASES) Program during the current year, therefore, we did not perform any procedures related to the ASES Program.

The Charter did not receive or spend any California School Facility Grant Program funds during the current year, therefore, we did not perform any procedures related to the California School Facility Grant Program.

*CWDL, Certified Public Accountants*

San Diego, California  
December 2, 2015

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

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**FAMILY FIRST CHARTER SCHOOL**  
**Summary of Auditors' Results**  
**June 30, 2015**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</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 2014-15.*

**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>Modifed</u>

**FAMILY FIRST CHARTER SCHOOL**  
**Financial Statement Findings**  
**June 30, 2015**

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**Five Digit Code**

20000  
30000

**AB 3627 Finding Type**

Inventory of Equipment  
Internal Control

*There were no financial statement findings noted in the 2014-15 fiscal year.*



**FAMILY FIRST CHARTER SCHOOL**  
**State Award Findings and Questioned Costs**  
**June 30, 2015**

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<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 2015-1 - 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 194 student attendance days and found 62 instances (58 days of overstatement and 4 days of understatement) in which records were not on file to support pupils’ attendance as claimed or, alternatively, supported attendance that was not claimed. The 54 days of net 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 2014-15 fiscal year.

**Effect:** 54 attendance days were overstated as tested. Given 122 days in the 2014-15 P-2 attendance period and a 2014-15 adjusted base revenue limit per ADA of \$8,712, the fiscal impact of the ADA overstatement is .44 ADA or \$3,833.28.

**Questioned Costs:** The .44 ADA in question resulted in an overstatement of apportionment funding in the amount of \$3,833.28. The Charter performed a thorough analysis of the overstatement and determined to reduce P2 ADA by 22.11 in order to correct for the attendance discrepancies noted in this finding, as well as additional net overstatement determined by the analysis.

**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.

**District Response:** The Charter will implement corrective measures to ensure the successful implementation of the Auditor’s recommendation during the 2015-16 fiscal year.

**FAMILY FIRST CHARTER SCHOOL**  
**Summary Schedule of Prior Audit Findings and Questioned Costs**  
**June 30, 2015**

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**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

**Status:** Implemented.

**FAMILY FIRST CHARTER SCHOOL**  
**Summary Schedule of Prior Audit Findings and Questioned Costs**  
**June 30, 2015**

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**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 194 student attendance days and found 64 instances (63 days of overstatement and 1 day of understatement) in which records were not on file to support pupils' attendance as claimed or, alternatively, supported attendance that was not claimed. Forty-two (42) days were derived from a variance between the amount reported at P-2, and the attendance audit report from the Charter attendance system which represents the total attendance per Charter support. The remaining 20 days of net 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:** 62 attendance days were overstated as tested. Given 123 days in the 2013-14 P-2 attendance period and a 2013-14 adjusted base revenue limit per ADA of \$8,638, the fiscal impact of the ADA overstatement is .50 ADA or \$4,354.11.

**Questioned Costs:** The .50 ADA in question resulted in an overstatement of apportionment funding in the amount of \$4,354.11.

**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.

**Status:** Not implemented, see finding 2015-1.

**FAMILY FIRST CHARTER SCHOOL**  
**Summary Schedule of Prior Audit Findings and Questioned Costs**  
**June 30, 2015**

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**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.

**Status:** Implemented.

**FAMILY FIRST CHARTER SCHOOL**  
**Summary Schedule of Prior Audit Findings and Questioned Costs**  
**June 30, 2015**

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**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

**Status:** Implemented.