

**OXFORD PREPARATORY ACADEMY**

**Independent Auditor's Report  
and Financial Statements  
For the Year Ended  
June 30, 2016**

**Operating:**

**Oxford Preparatory Academy – Chino Valley  
Oxford Preparatory Academy – South Orange County  
Oxford Preparatory Academy – Saddleback Valley (Opening in 16-17)**

**OXFORD PREPARATORY ACADEMY**

**TABLE OF CONTENTS**  
**June 30, 2016**

Independent Auditor’s Report..... 1

Statement of Financial Position ..... 3

Statement of Activities..... 4

Statement of Cash Flows ..... 5

Statement of Functional Expenses ..... 6

Notes to the Financial Statements..... 7

Local Education Agency Organization Structure ..... 14

Schedule of Instructional Time..... 16

Schedule of Average Daily Attendance ..... 17

Reconciliation of Annual Financial Report with Audited Financial Statements ..... 18

Notes to the Supplementary Information..... 19

Independent Auditor’s 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*..... 20

Independent Auditor’s Report on State Compliance ..... 22

Schedule of Findings and Questioned Costs..... 24

Status of Prior Year Findings and Questioned Costs..... 30

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Oxford Preparatory Academy  
Chino, CA

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

We have audited the accompanying financial statements of Oxford Preparatory Academy (the Academy), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
Oxford Preparatory Academy

## **Opinion**

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the Academy as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Academy's financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2016 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 2, 2016

**OXFORD PREPARATORY ACADEMY**

**STATEMENT OF FINANCIAL POSITION  
June 30, 2016**

	<b>Chino Valley</b>	<b>South Orange County</b>	<b>Saddleback Valley</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 24,441	\$ 1,657,508	\$ 334,434	\$ 2,016,383
Accounts receivable - federal and state	1,505,267	674,247	-	2,179,514
Accounts receivable - other	79,230	58,285	-	137,515
Prepaid expenses and other assets	7,947	-	52,500	60,447
Total current assets	1,616,885	2,390,040	386,934	4,393,859
<b>LONG-TERM ASSETS:</b>				
Property, plant and equipment, net	1,388,742	411,725	42,616	1,843,083
Total long-term assets	1,388,742	411,725	42,616	1,843,083
Total assets	\$ 3,005,627	\$ 2,801,765	\$ 429,550	\$ 6,236,942
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 1,168,109	\$ 1,102,202	\$ 90,116	\$ 2,360,427
Deferred revenue	47,878	-	-	47,878
Notes payable	372,700	50,000	150,000	572,700
Total current liabilities	1,588,687	1,152,202	240,116	2,981,005
<b>LONG-TERM LIABILITIES:</b>				
Notes payable	-	150,002	200,000	350,002
Total long-term liabilities	-	150,002	200,000	350,002
<b>NET ASSETS:</b>				
Unrestricted	1,416,940	1,499,561	(10,566)	2,905,935
Total net assets	1,416,940	1,499,561	(10,566)	2,905,935
Total liabilities and net assets	\$ 3,005,627	\$ 2,801,765	\$ 429,550	\$ 6,236,942

*The accompanying notes are an integral part of these financial statements.*

**OXFORD PREPARATORY ACADEMY**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

	<u>Chino Valley</u>	<u>South Orange County</u>	<u>Saddleback Valley</u>	<u>Total</u>
<b>REVENUES:</b>				
State revenue:				
State aid	\$ 6,796,431	\$ 1,158,503	\$ -	\$ 7,954,934
Other state revenue	1,550,627	1,197,981	-	2,748,608
Federal revenue:				
Grants and entitlements	145,750	139,582	-	285,332
Local revenue:				
In-lieu property tax revenue	1,778,032	5,013,080	-	6,791,112
Other revenue	483,383	639,222	23,984	1,146,589
Total revenues	<u>10,754,223</u>	<u>8,148,368</u>	<u>23,984</u>	<u>18,926,575</u>
<b>EXPENSES:</b>				
Program services	8,076,833	6,265,888	-	14,342,721
Management and general	<u>1,757,258</u>	<u>1,080,335</u>	<u>34,550</u>	<u>2,872,143</u>
Total expenses	<u>9,834,091</u>	<u>7,346,223</u>	<u>34,550</u>	<u>17,214,864</u>
Change in unrestricted net assets	920,132	802,145	(10,566)	1,711,711
Beginning unrestricted net assets	<u>496,808</u>	<u>697,416</u>	<u>-</u>	<u>1,194,224</u>
Ending unrestricted net assets	<u>\$ 1,416,940</u>	<u>\$ 1,499,561</u>	<u>\$ (10,566)</u>	<u>\$ 2,905,935</u>

*The accompanying notes are an integral part of these financial statements.*

**OXFORD PREPARATORY ACADEMY**

**STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016**

	<b>Chino Valley</b>	<b>South Orange County</b>	<b>Saddleback Valley</b>	<b>Total</b>
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>				
Change in net assets	\$ 920,132	\$ 802,145	\$ (10,566)	\$ 1,711,711
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	182,028	76,171	-	258,199
Change in operating assets:				
Accounts receivable - federal and state	(240,223)	(477,453)	-	(717,676)
Accounts receivable - other	(49,501)	(57,334)	-	(106,835)
Prepaid expenses and other assets	206,429	144,549	(52,500)	298,478
Change in operating liabilities:				
Accounts payable and accrued liabilities	351,628	679,231	90,116	1,120,975
Deferred revenue	47,878	-	-	47,878
Net cash flows from operating activities	1,418,371	1,167,309	27,050	2,612,730
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>				
Purchases of property, plant and equipment	(690,305)	(141,855)	(42,616)	(874,776)
Net cash flows from investing activities	(690,305)	(141,855)	(42,616)	(874,776)
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>				
Proceeds from notes payable	1,000,000	-	350,000	1,350,000
Repayments of notes payable	(2,027,300)	(149,998)	-	(2,177,298)
Net cash flows from financing activities	(1,027,300)	(149,998)	350,000	(827,298)
Net change in cash and cash equivalents	(299,234)	875,456	334,434	910,656
Cash and cash equivalents at the beginning of the year	323,675	782,052	-	1,105,727
Cash and cash equivalents at the end of the year	\$ 24,441	\$ 1,657,508	\$ 334,434	\$ 2,016,383
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>				
Cash paid for interest during the fiscal year	\$ 69,369	\$ 2,180	\$ -	\$ 71,549

*The accompanying notes are an integral part of these financial statements.*

**OXFORD PREPARATORY ACADEMY**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2016**

	<b>Program</b>	<b>Management</b>	<b>Total</b>
	<b>Services</b>	<b>and General</b>	<b>Expenses</b>
Salaries and wages	\$ 8,101,060	\$ 1,295,414	\$ 9,396,474
Pension expense	903,470	117,928	1,021,398
Other employee benefits	889,327	132,034	1,021,361
Payroll taxes	230,719	84,002	314,721
Management fees	-	330,900	330,900
Legal expenses	-	318,110	318,110
Accounting expenses	-	13,334	13,334
Instructional materials	302,720	-	302,720
Other fees for services	2,078,604	103,004	2,181,608
Advertising and promotion expenses	10,306	35,374	45,680
Office expenses	2,913	32,703	35,616
Printing and postage expenses	2,406	8,450	10,856
Information technology expenses	70,625	1,633	72,258
Occupancy expenses	922,548	10,740	933,288
Travel expenses	-	75,538	75,538
Conference and meeting expenses	5,075	7,171	12,246
Interest expense	-	71,549	71,549
Depreciation expense	258,199	-	258,199
Insurance expense	-	46,093	46,093
Other expenses	564,749	188,166	752,915
	<u>\$ 14,342,721</u>	<u>\$ 2,872,143</u>	<u>\$ 17,214,864</u>

*The accompanying notes are an integral part of these financial statements.*

## OXFORD PREPARATORY ACADEMY

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2016

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities* – Oxford Preparatory Academy (the Academy) is a California nonprofit public benefit corporation and is organized to manage and operate public charter schools. The Academy is funded principally through State of California public education monies received through the California Department of Education.

#### Oxford Preparatory Academy - Chino Valley

The charter may be revoked by the Chino Valley Unified School District (the Sponsor) for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

#### Oxford Preparatory Academy - South Orange County

The charter may be revoked by the Capistrano Unified School District (the Sponsor) for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

#### Oxford Preparatory Academy – Saddleback Valley – Opening in 16-17

The charter may be revoked by the Orange County Department of Education (the Sponsor) for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

*Cash and Cash Equivalents* – The Academy defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

*Basis of Accounting* – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

*Functional Allocation of Expenses* – Costs of providing the Academy's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

*Basis of Presentation* – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

## OXFORD PREPARATORY ACADEMY

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2016

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Net Asset Classes* – The Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the Academy are defined as:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the Academy.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The Academy does not currently have any temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the Academy. The Academy does not currently have any permanently restricted net assets.

*Receivables* – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2016. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

*Property, Plant and Equipment* – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

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

*Revenue Recognition* – Amounts received from the California Department of Education are recognized as revenue by the Academy based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

*Contributions* – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

# OXFORD PREPARATORY ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2016

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Income Taxes* – The Academy is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Academy files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

*Evaluation of Subsequent Events* – The Academy has evaluated subsequent events through December 2, 2016, the date these financial statements were available to be issued.

### NOTE 2: CONCENTRATION OF CREDIT RISK

The Academy maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Academy also maintains cash in the County Treasury (the County). The County pools these funds with those of other educational organizations in the county and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or collateralized.

### NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Academy capitalizes all expenditures for land, buildings and equipment in excess of \$5,000. Depreciation expense was \$258,199 for the year ended June 30, 2016.

The components of property, plant and equipment as of June 30, 2016 are as follows:

Building and improvements	\$ 987,973
Furniture, fixtures, equipment	<u>1,786,002</u>
	2,773,975
Less accumulated depreciation	<u>(930,892)</u>
Property, plant and equipment, net	<u>\$ 1,843,083</u>

**OXFORD PREPARATORY ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 4: NOTES PAYABLE**

**Revenue Anticipation Notes**

The Academy issued its \$1,500,000 2014 Revenue Anticipation Notes, Series A (“2014A RANs”) on July 28, 2014 to cover working capital needs during the 2014-15 year, which were repaid in full without penalty on September 15, 2015. The 2014A RANs carry an interest rate of 6.25%.

The Academy issued its \$1,000,000 2015 Revenue Anticipation Notes, Series A (“2015A RANs”) in September 2015 to cover working capital needs during the 2015-16 year, which were repaid in installments ending on September 15, 2016. The 2015A RANs carry an interest rate of 6.25%. The balance at June 30, 2016 was \$372,700.

**California Department of Education**

The Academy received two revolving loans from the California Department of Education (CDE) in the amount of \$250,000 each. The loans have terms of 5 years and carries a nominal interest rate. Annual payments of principal and interest are deducted from Academy’s apportionment.

The loan repayment by year is as follows:

Year Ended <u>June 30,</u>	South Orange <u>County</u>	Saddleback <u>Valley</u>	<u>Total</u>
2017	\$ 50,000	\$ 50,000	\$ 100,000
2018	50,000	50,000	100,000
2019	50,000	50,000	100,000
2020	50,002	50,000	100,002
2020	-	50,000	50,000
Total	<u>\$ 200,002</u>	<u>\$ 250,000</u>	<u>\$ 450,002</u>

**Edlighten Learning Solutions Loan**

The Academy received at start-up for the Saddleback Valley charter school from Edlighten Learning Solutions (a related party – see Note 6) in the amount of \$100,000. The loan requires semi-annual repayment and carries a 4 percent interest rate.

**NOTE 5: EMPLOYEE RETIREMENT**

**Multi-employer Defined Benefit Pension Plans**

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

# OXFORD PREPARATORY ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2016

### NOTE 5: EMPLOYEE RETIREMENT

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

#### State Teachers' Retirement System (STRS)

##### **Plan Description**

The Academy contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2015, total plan net assets are \$181 billion, the total actuarial present value of accumulated plan benefits is \$244 billion, contributions from all employers totaled \$2.55 billion, and the plan is 68.5% funded. The Academy did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

##### **Funding Policy**

Active plan members hired before December 31, 2012 are required to contribute 9.20% of their salary and those hired after are required to contribute 8.56% of their salary. The Academy is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

The Academy's contributions to STRS for the past three years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2014	\$ 403,061	100%
2015	\$ 506,735	100%
2016	\$ 733,302	100%

**OXFORD PREPARATORY ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 5: EMPLOYEE RETIREMENT**

**Public Employees' Retirement System (PERS)**

**Plan Description**

The Academy contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for PERS is not publicly available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2015, the School Employer Pool total plan assets are \$56.8 billion, the total actuarial present value of accumulated plan benefits is \$86 billion, contributions from all employers totaled \$1.3 billion, and the plan is 77.5% funded. The Academy did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Funding Policy**

Active plan members are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.0% of their salary. The Academy is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2016 was 11.847%. The contribution requirements of the plan members are established and may be amended by State statute.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2014	\$ 183,490	100%
2015	\$ 253,797	100%
2016	\$ 288,096	100%

**NOTE 6: RELATED PARTY TRANSACTIONS**

A separate non-profit Charter Management Organization (CMO) – Edlighten Learning Solutions was considered a related party for most of the year ended June 30, 2016. As of June 20, 2016, the Academy eliminated the related party relationship and these financial statements reflect the updated status. Accordingly, the CMO has not been considered for consolidation into the Academy's financial statements. Notwithstanding, certain financial transactions are being disclosed as related party transactions.

**OXFORD PREPARATORY ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2016**

**NOTE 6: RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2016, \$826,991 (Chino Valley) and \$624,867 (South Orange County) in contractual CMO fees were paid by the Academy for charter replication and renewal process, business planning, facility oversight and planning, human resources, and professional development.

During the year, Chino Valley was reimbursed for \$63,776 in travel expenses advanced to the CMO for travel expenses paid.

During the year, the CMO leased back several employees from the Academy. The total amount of reimbursement were \$183,897 for the year ended June 30, 2016.

At June 30, 2016 the Academy owed the CMO \$73,415 (Chino Valley) and \$89,295 (South Orange County).

**NOTE 7: CONTINGENCIES**

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

**SUPPLEMENTARY INFORMATION**

## **OXFORD PREPARATORY ACADEMY**

### **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2016**

Oxford Preparatory Academy (the Academy) is a California non-profit public benefit corporation and is organized to manage and operate public charter schools.

The Oxford Preparatory Academy - Chino Valley began serving students in September 2010 and is sponsored by the Chino Valley Unified School District (the Sponsor).

The Sponsor has renewed the charter through June 30, 2017.

Charter School number authorized by the State: 1178

The Oxford Preparatory Academy - South Orange County began serving students in September 2011 and is sponsored by the Capistrano Unified School District (the Sponsor).

The Sponsor has renewed the charter through June 30, 2019.

Charter School number authorized by the State: 1324

The Oxford Preparatory Academy – Saddleback Valley began serving students in September 2016 and is sponsored by the Orange County Department of Education (the Sponsor).

The Sponsor has granted the charter through June 30, 2021.

Charter School number authorized by the State: 1784

**OXFORD PREPARATORY ACADEMY**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (continued)  
For the Year Ended June 30, 2016**

The Board of Directors and the Administrators as of the year ended June 30, 2016 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Bob Kuhnert, Esq.	Chairman	2 year term expires 6/30/19
Albert Chang	Vice Chairman	3 year term expires 6/30/16
Dr. Greg Maddex	Secretary	2 year term expires 6/30/19
Robert G Lehmeier	Treasurer	3 year term expires 6/30/16
Michael Delgado	Member	3 year term expires 6/30/16

**ADMINISTRATORS**

Barbara Black	Executive Director
Juliette Ugartechea	Chief Financial Officer
Nick Califato	Coord. of Business Services

**OXFORD PREPARATORY ACADEMY**

**SCHEDULE OF INSTRUCTIONAL TIME  
For the Year Ended June 30, 2016**

	<b>Instructional Minutes</b>		<b>Instructional Days</b>	<b>Status</b>
	<b>Requirement</b>	<b>Actual</b>		
<b>Chino Valley:</b>				
T-Kindergarten	36,000	38,040	175	In compliance
Kindergarten	36,000	41,070	175	In compliance
Grade 1	50,400	54,340	175	In compliance
Grade 2	50,400	54,340	175	In compliance
Grade 3	50,400	54,340	175	In compliance
Grade 4	54,000	54,340	175	In compliance
Grade 5	54,000	54,340	175	In compliance
Grade 6	54,000	54,340	175	In compliance
Grade 7	54,000	54,340	175	In compliance
Grade 8	54,000	54,340	175	In compliance
<b>South Orange County:</b>				
T-Kindergarten	36,000	42,000	175	In compliance
Kindergarten	36,000	42,000	175	In compliance
Grade 1	50,400	54,340	175	In compliance
Grade 2	50,400	54,340	175	In compliance
Grade 3	50,400	54,340	175	In compliance
Grade 4	54,000	54,340	175	In compliance
Grade 5	54,000	54,340	175	In compliance
Grade 6	54,000	54,340	175	In compliance
Grade 7	54,000	54,340	175	In compliance
Grade 8	54,000	54,340	175	In compliance

*See independent auditor's report and the notes to the supplementary information.*

**OXFORD PREPARATORY ACADEMY**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2016**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<b>Classroom</b>		<b>Classroom</b>	
	<u>Based</u>	<u>Total</u>	<u>Based</u>	<u>Total</u>
<b>Chino Valley:</b>				
Grades K-3	421.62	530.56	421.42	530.11
Grades 4-6	361.95	409.41	360.91	409.47
Grades 7-8	<u>199.68</u>	<u>238.76</u>	<u>199.82</u>	<u>238.60</u>
ADA Totals	<u>983.25</u>	<u>1,178.73</u>	<u>982.15</u>	<u>1,178.18</u>
<b>South Orange County:</b>				
Grades K-3	266.50	383.47	267.07	384.17
Grades 4-6	317.50	344.11	317.21	342.53
Grades 7-8	<u>123.12</u>	<u>135.01</u>	<u>123.31</u>	<u>134.95</u>
ADA Totals	<u>707.12</u>	<u>862.59</u>	<u>707.59</u>	<u>861.65</u>

*See independent auditor's report and the notes to the supplementary information.*

**OXFORD PREPARATORY ACADEMY**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2016**

	<u>Chino Valley</u>	<u>South Orange County</u>
June 30, 2016 Annual Financial Report Fund Balances (Net Assets)	\$ 1,423,898	\$ 1,677,753
Adjustments and Reclassifications:		
Increasing (Decreasing) the Fund Balance (Net Assets):		
Cash and cash equivalents	(373)	2,139
Accounts receivable - federal and state	-	(166,667)
Accounts receivable - other	43,228	9,481
Prepaid expenses and other assets	(234,710)	(147,822)
Property, plant and equipment, net	166,224	145,684
Accounts payable and accrued liabilities	66,551	(21,007)
Deferred revenues	(47,878)	-
Net Adjustments and Reclassifications	<u>(6,958)</u>	<u>(178,192)</u>
June 30, 2016 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 1,416,940</u>	<u>\$ 1,499,561</u>

*See independent auditor's report and the notes to the supplementary information.*

**OXFORD PREPARATORY ACADEMY**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the Academy and whether the Academy complied with the provisions of the Education Code.

**Schedule of Average Daily Attendance**

Average daily attendance is a measurement of the number of pupils attending classes of the Academy. 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.

**Reconciliation of Annual Financial Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Oxford Preparatory Academy  
Chino, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oxford Preparatory Academy (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 2, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs in Finding 2016-001, we identified certain deficiencies in internal control that we consider to be material weaknesses.

**INDEPENDENT AUDITOR'S 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***

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Academy's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 2, 2016



Vicenti, Lloyd & Stutzman, CPAs

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors  
Oxford Preparatory Academy  
Chino, CA

We have audited Oxford Preparatory Academy's (the Academy) compliance with the types of compliance requirements described in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The Academy's State compliance requirements are identified in the table below.

### Management's Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Academy's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the Academy's compliance.

### Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Not applicable
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Yes
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

### Opinion on State Compliance

In our opinion, the Academy complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

### Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
 Glendora, CA  
 December 2, 2016



**OXFORD PREPARATORY ACADEMY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

requirements. Related party relationships must be transparent and fully disclosed to ensure that agreements between the District and charter school are enforced.

Presenting the CMO as a vendor circumvented the District’s agreements contained in the charter petition and Memorandum of Understanding (MOU). It also prevented the District and the auditor from performing their due diligence; fiscal oversight responsibilities; and prevented all concerned from seeing the true financial picture of Academy.

**Cause:** The Academy did not have adequate institutional controls related to proper financial reporting of related parties and did not follow sound conflicts of interest policies and procedures.

**Questioned Costs:** None.

**Recommendation:** Institutional internal controls should be established to properly identify all related parties as well as potential conflicts of interest. In addition, the Academy auditor will re-issue the audited financial statements of the Academy with 2012-13 and through the 2014-15 fiscal year. Specific to GAAP, without consolidation of the related parties represents an audit scope limitation and a material departure from GAAP, culminating in an auditor’s disclaimer opinion of the financial statements.

**Management Response:** The current management of the Academy requested and is in agreement the prior year’s financial statements be re-issued to include the relationship with Edlighten Learning Solutions. We understand the auditor’s conclusion that the school’s founder withheld facts in prior years which resulting in financial reporting not in compliance with GAAP.

Furthermore, we are in agreement that institutional internal controls and practices need to be revised and enforced to ensure the organization properly and transparently identifies related parties as well as potential conflicts of interest. The most immediate Corrective Actions that have been identified include (but are not limited to):

**CORRECTIVE ACTIONS**

Target	Action	Purpose
Board of Directors	Replace existing board members with unbiased individuals who do not have a history or relationship to previous or current employees	To bring in individuals with a variety of experience and knowledge, to provide a fresh and unbiased perspective to the organization.  Individuals who will question and challenge the information brought before them; ensuring the decisions made are in the best interest of the organization.

**OXFORD PREPARATORY ACADEMY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

Target	Action	Purpose
		<p>To appoint individuals who have the ability and experience to function as the ultimate ‘checks and balances’ of the organization; to ensure sound accounting practices are in place, full compliance with GAAP is enforced and complete transparency is in practice.</p>
<p>Executive Director</p>	<p>The replacement of the Executive Director with an individual who has no ties to the founder.</p>	<p>The replacement of the Executive Director is intended to bring in new leadership. The ideal candidate will have education experience and will oversee the daily operations of the organization. The preferred candidate will also have business and/or charter experience.</p> <p>The candidate will work closely under the Board’s direction to ensure the decisions and recommendations of the Board are fully implemented.</p> <p>The ideal candidate will be a strong leader and have the ability to implement change effectively and efficiently ensuring transparency, compliance and sound fiscal/management practices.</p>

**OXFORD PREPARATORY ACADEMY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

Target	Action	Purpose
		<p>The Executive Director will report directly to the Board.</p> <p>The Board of Directors will review and revise the duties and authorities of the Executive Director to ensure there are adequate levels of control and approval in place.</p>
Audit Committee	Elect a committee on a fiscal basis to oversee the annual audit and any special audits that arise during the year	The audit committee will ensure an independent group review is established to provide oversight to the financial and audit practices of the organization; ensure any recommendations from said audits are proactively addressed and incorporated; to assess the effectiveness of said actions to the recommendations; to provide additional recommendations to ensure the utmost transparency and compliance.
Nepotism Policy	<p>Implement a disclosure policy to ensure any employee and or vendor relationships defined as ‘nepotism’, is disclosed to the Board prior to entering into a contract; Board Approval required for hiring said employees/vendor.</p> <p>Additionally, full disclosure will be required from all potential employees//vendors should they</p>	<p>The policy and code will ensure the Board is aware of relationships that may already exist within the organization.</p> <p>The Board will ensure that said relationships do not hinder transparency, accountability and compliance; nor subject</p>

**OXFORD PREPARATORY ACADEMY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

Target	Action	Purpose
	<p>enter into a relationship creating nepotism subsequent to their employment with the organization.</p>	<p>the organization to fraud, mismanagement or misappropriation of funds.</p> <p>The Board will actively review, monitor and participate in contract negotiations to ensure there is no personal gain or Conflict of Interest as a result of agreements entered into by the Organization.</p>
Conflict of Interest Code	<p>Review and possibly revise the existing Conflict of Interest Code to ensure active enforcement.</p>	<p>The Board and Administration is actively called to review and revise, as necessary, to bolster and strengthen the existing Conflict of Interest Code.</p> <p>The Board and Administration is then called to actively comply with and enforce the Code by identifying, disclosing and reporting potential conflicts, and avoiding conflicts of interest.</p>
Annual Update	<p>As part of the annual audit, we request a meeting with the auditor at the onset of the audit to discuss changes/issues that have occurred throughout the fiscal year. Said discussion items include:</p> <ol style="list-style-type: none"> <li>1. Administration/Staffing: review/update changes to the Administration/Staffing</li> <li>2. Corporate Structure: site additions/deletions</li> <li>3. Policy: significant policy changes</li> </ol>	<p>A kick-off meeting with Auditor and Key Executives to address the status/changes within the organization is recommended. Through the course of interviews with key executives and administration, the auditor will obtain more comprehensive insight as to what has transpired through the course of the</p>

**OXFORD PREPARATORY ACADEMY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

Target	Action	Purpose
	4. Legal: existing/pending legal matters	audit year.
Committees/Working Groups	Committees to assist with the selection and oversight of critical tasks/needs that occur throughout the year and may not be a routine need. Examples: <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Hiring of Key Employee</li> <li>• Special Construction Projects</li> <li>• Fiscal Policy Review/Update</li> <li>• Volunteer Policy</li> </ul>	The intent of the Committees/Working Groups is to provide additional expertise, outside experience, and a non-partisan perspective to key decisions that affect the organization.

**OXFORD PREPARATORY ACADEMY**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

There were no findings and questioned costs related to the basic financial statements or state awards for the prior year.