

OXFORD PREPARATORY ACADEMY

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2017**

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

Oxford Preparatory Academy – Chino Valley (Charter No. 1178)
Oxford Preparatory Academy – South Orange County (Charter No. 1324)
Oxford Preparatory Academy – Saddleback Valley (Charter No. 1784)

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

OXFORD PREPARATORY ACADEMY
TABLE OF CONTENTS
JUNE 30, 2017

FINANCIAL SECTION

| | |
|--|---|
| Independent Auditors' Report | 1 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

SUPPLEMENTARY INFORMATION SECTION

| | |
|---|----|
| Statements by Charter | |
| Statement of Financial Position by Charter | 19 |
| Statement of Activities by Charter | 20 |
| Statement of Cash Flows by Charter | 21 |
| Charter Organizational Structure | 22 |
| Schedule of Average Daily Attendance | 23 |
| Schedule of Instructional Time | 24 |
| Reconciliation of Financial Report – Alternative Form with Audited Financial Statements | 25 |
| Notes to the Supplementary Information | 26 |

OTHER INDEPENDENT AUDITORS' REPORTS

| | |
|--|----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 27 |
| Report on State Compliance | 29 |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| | |
|---|----|
| Summary of Auditors' Results | 31 |
| Financial Statement Findings | 32 |
| State Award Findings and Questioned Costs | 33 |
| Summary Schedule of Prior Audit Findings and Questioned Costs | 36 |

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Oxford Preparatory Academy
Corona, California

Report on the Financial Statements

We have audited the accompanying financial statements of Oxford Preparatory Academy ("OPA") which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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State Board of Accountancy*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oxford Preparatory Academy as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017, on our consideration of OPA'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OPA's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
November 22, 2017

OXFORD PREPARATORY ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Current assets

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 4,174,261 |
| Accounts receivable | 1,976,296 |
| Prepaid expenses | 39,607 |
| Other current assets | 22,388 |
| Total current assets | <u>6,212,552</u> |

Capital assets

| | |
|-------------------------------|----------------------------|
| Property and equipment | 3,219,614 |
| Less accumulated depreciation | <u>(1,328,671)</u> |
| Total capital assets, net | 1,890,943 |
| Total Assets | <u>\$ 8,103,495</u> |

LIABILITIES AND NET ASSETS

Liabilities

| | |
|-------------------|------------------|
| Accounts payable | \$ 1,946,806 |
| Loans payable | 450,006 |
| Total liabilities | <u>2,396,812</u> |

Net assets

| | |
|---|----------------------------|
| Unrestricted | <u>5,706,683</u> |
| Total net assets | 5,706,683 |
| Total Liabilities and Net Assets | <u>\$ 8,103,495</u> |

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

**OXFORD PREPARATORY ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

SUPPORT AND REVENUES

| | |
|--|-------------------|
| Federal and state support and revenues | |
| Local control funding formula, state aid | \$ 9,207,818 |
| Federal revenues | 638,517 |
| Other state revenues | 2,758,772 |
| Total federal and state support and revenues | <u>12,605,107</u> |
| Local support and revenues | |
| Payments in lieu of property taxes | 10,295,133 |
| Grants and donations | 8,050 |
| Investment income, net | 5,164 |
| Afterschool care fees | 969,290 |
| Other local revenues | 47,864 |
| Total local support and revenues | <u>11,325,501</u> |
| Total Support and Revenues | <u>23,930,608</u> |

EXPENSES

| | |
|---------------------------|-------------------|
| Program services | |
| Charter school operations | 14,705,782 |
| Supporting services | |
| Management and general | 6,424,078 |
| Total Expenses | <u>21,129,860</u> |

CHANGE IN NET ASSETS 2,800,748

Net Assets - Beginning 2,905,935

Net Assets - Ending \$ 5,706,683

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

**OXFORD PREPARATORY ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

| | Program Services | | | | Supporting Services | Total |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|------------------------|----------------------|
| | Chino Valley | South Orange County | Saddleback Valley | Total | Management and General | |
| EXPENSES | | | | | | |
| Personnel expenses | | | | | | |
| Certificated salaries | \$ 2,906,819 | \$ 2,032,555 | \$ 1,427,926 | \$ 6,367,300 | \$ 1,369,448 | \$ 7,736,748 |
| Classified salaries | 899,834 | 794,598 | 574,440 | 2,268,872 | 1,470,129 | 3,739,001 |
| Employee benefits | 1,418,949 | 798,810 | 491,780 | 2,709,539 | 832,893 | 3,542,432 |
| Total personnel expenses | 5,225,602 | 3,625,963 | 2,494,146 | 11,345,711 | 3,672,470 | 15,018,181 |
| Non-personnel expenses | | | | | | |
| Books and supplies | 438,121 | 384,750 | 381,300 | 1,204,171 | - | 1,204,171 |
| Insurance | 27,943 | 19,568 | 13,145 | 60,656 | 19,834 | 80,490 |
| Occupancy | 254,812 | 255,123 | 75,532 | 585,467 | 191,378 | 776,845 |
| Professional services | 202,371 | 148,322 | 93,669 | 444,362 | 1,477,287 | 1,921,649 |
| Depreciation | 280,977 | 108,787 | 8,015 | 397,779 | - | 397,779 |
| Payments to authorizing agency | - | - | - | - | 382,002 | 382,002 |
| Other operating expenses | 252,377 | 272,984 | 142,275 | 667,636 | 681,107 | 1,348,743 |
| Total non-personnel expenses | 1,456,601 | 1,189,534 | 713,936 | 3,360,071 | 2,751,608 | 6,111,679 |
| Total Expenses | \$ 6,682,203 | \$ 4,815,497 | \$ 3,208,082 | \$14,705,782 | \$ 6,424,078 | \$ 21,129,860 |

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

**OXFORD PREPARATORY ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ 2,800,748 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | |
| Depreciation | 397,779 |
| (Increase) decrease in operating assets | |
| Accounts receivable | 340,733 |
| Prepaid expenses and other assets | (1,548) |
| Increase (decrease) in operating liabilities | |
| Accounts payable | (413,621) |
| Deferred revenue | (47,878) |
| Net cash provided by (used in) operating activities | <u>3,076,213</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of capital assets | <u>(445,639)</u> |
| Net cash provided by (used in) investing activities | <u>(445,639)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Principal payments on loans payable | <u>(472,696)</u> |
| Net cash provided by (used in) financing activities | <u>(472,696)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,157,878 |
| Cash and cash equivalents - Beginning | <u>2,016,383</u> |
| Cash and cash equivalents - Ending | <u>\$ 4,174,261</u> |
| SUPPLEMENTAL DISCLOSURE | |
| Cash paid on interest | <u>\$ 73,640</u> |

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

**OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Oxford Preparatory Academy (“OPA” or the “Organization”) was formed as a nonprofit public benefit corporation on April 21, 2009 for the purpose of operating California public schools. During the fiscal year ended June 30, 2017, OPA operated three (3) charter schools (referred to collectively as the “Charters”) each serving students in transitional kindergarten through grade eight. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

Oxford Preparatory Academy– Chino Valley

The Oxford Preparatory Academy – Chino Valley (“Chino Valley”) was approved by the State Board of Education in May 2010 as California Charter No. 1178. Chino Valley was authorized to operate as a charter school through Chino Valley Unified School District (“CVUSD” or authorizing agency) in San Bernardino County. In December 2011, the Board of Directors of CVUSD approved a charter petition for a five-year term beginning July 1, 2012 and expiring on June 30, 2017. On September 30, 2016, a charter renewal was brought to CVUSD but was denied. The Organization was not successful with appeal efforts and Chino Valley closed effective June 30, 2017.

Oxford Preparatory Academy– South Orange County

The Oxford Preparatory Academy – South Orange County (“South Orange County”) was approved by the State Board of Education in July 2011 as California Charter No. 1324. South Orange County is authorized to operate as a charter school through the Capistrano Unified School District (“CUSD” or authorizing agency) in Orange County. In January 2014, the Board of Directors of CUSD approved a charter renewal for a five-year term beginning July 1, 2014 and expiring on June 30, 2019.

Oxford Preparatory Academy– Saddleback Valley

The Oxford Preparatory Academy – Saddleback Valley (“Saddleback Valley”) was approved by the State Board of Education in July 2013 as California Charter No. 1784. Saddleback Valley is authorized to operate as a charter school through the Orange County Department of Education (“OCDE” or authorizing agency) in Orange County. In 2016, the Board of Education of OCDE conditionally approved a charter petition after the petition was initially denied by the Saddleback Unified School District.

B. Basis of Accounting

The Organization’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.

C. 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 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Statement Presentation

Oxford Preparatory Academy 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 Organization's financial statement presentation.

E. 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.

F. Cash and Investments

Oxford Preparatory Academy considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Organization's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

G. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2017, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

H. Capital Assets

Oxford Preparatory Academy has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or is requiring the Organization to hold the asset for a specified period of time. Capital assets are depreciated using the straight-line method.

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Prepaid Expenses and Other Assets

Prepaid expenses and other assets are recorded at the carrying amount as of the balance sheet date. Prepaid expenses are comprised of expenses made in advance of when the economic benefit of the cost will be realized, and which will be expensed in future periods with the passage of time or when a triggering event occurs.

J. 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.

K. 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.

L. 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 agencies. In lieu of distributing funds out of property tax proceeds, the authorizing agencies makes monthly payments to the Charters. Revenues are recognized by the Charters when earned.

M. Income Taxes

Oxford Preparatory Academy is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a charitable corporation organized and operated primarily as an educational institution, the Organization is not required to register with the California Attorney General as a charity.

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

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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.

O. New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities* whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2017, consist of the following:

| | |
|--|----------------------------|
| Cash in county treasury | \$ 203,277 |
| Cash in banks, non-interest bearing | 825,134 |
| Cash in banks, interest bearing | 3,144,350 |
| Cash on hand (petty cash) | 1,500 |
| Total Cash and Cash Equivalents | <u>\$ 4,174,261</u> |

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury

Oxford Preparatory Academy – South Orange County and Oxford Preparatory Academy – Saddleback Valley are voluntary participants in an external investment pool. The fair value of the Charters’ investment in the pool is reported in the financial statements at amounts based upon the Charters’ pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

Except for investments by trustees of debt proceeds, the authority to invest the Charters 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:

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

Investments in the Orange County Treasury Investment Pool are not measured using the input levels described in Note 1N because the Organization’s transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

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. Oxford Preparatory Academy does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2017, \$3,834,810 of Oxford Preparatory Academy’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at two separate banks.

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, consists of the following:

| | | |
|--|-----------|------------------|
| Local control funding formula, state aid | \$ | 428,021 |
| Federal sources | | 232,687 |
| Other state sources | | 413,018 |
| Payments in lieu of property taxes | | 851,819 |
| Other local sources | | 50,751 |
| Total Accounts Receivable | \$ | 1,976,296 |

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2017 consists of the following:

| | Balance | | | | Balance |
|--------------------------------|---------------------|------------------|------------------|-----------|----------------------|
| | July 1, 2016 | Additions | Disposals | | June 30, 2017 |
| Leasehold improvements | \$ 987,973 | \$ 436,183 | \$ - | \$ | 1,424,156 |
| Furniture and equipment | 1,786,002 | 9,456 | - | | 1,795,458 |
| Total at historical cost | <u>2,773,975</u> | <u>445,639</u> | <u>-</u> | | <u>3,219,614</u> |
| Less: accumulated depreciation | (930,892) | (397,779) | - | | (1,328,671) |
| Capital Assets, net | \$ 1,843,083 | \$ 47,860 | \$ - | \$ | 1,890,943 |

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2017, consists of the following:

| | | |
|--------------------------------------|-----------|------------------|
| Payroll-related liabilities | \$ | 1,225,988 |
| Due to authorizing agencies | | 87,399 |
| Due to grantor governments | | 36,890 |
| Due to Edlighten Learning Solutions* | | 162,710 |
| Legal services | | 279,871 |
| Other vendor payables | | 153,948 |
| Total Accounts Payable | \$ | 1,946,806 |

*The Organization also held a loan payable as mentioned in Note 6 due to Edlighten Learning Solutions. Refer to Note 9 regarding additional information regarding Edlighten Learning Solutions.

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 6 – LOANS PAYABLE

A summary of activity related to loans payable during the year ended June 30, 2017 consists of the following:

| | Balance | | Balance | |
|---------------------------------|-------------------|-------------|-------------------|-------------------|
| | July 1, 2016 | Draws | Payments | June 30, 2017 |
| Revenue anticipation note (RAN) | \$ 372,700 | \$ - | \$ 372,700 | \$ - |
| Charter revolving loans | 450,002 | - | 99,996 | 350,006 |
| Edlighten Learning Solutions | 100,000 | - | - | 100,000 |
| Total Loans Payable | \$ 922,702 | \$ - | \$ 472,696 | \$ 450,006 |

Revenue Anticipation Note (RAN)

In September 2015 the Organization issued the 2015 Revenue Anticipation Notes, Series A for \$1,000,000. The RANs were issued under the Chino Valley site and were used to cover working capital needs during the previous fiscal year. The RANs carried an interest rate of 6.25% and held a balance at July 1, 2016 of \$372,700. This outstanding balance was repaid during fiscal year ended June 30, 2017 leaving no amount payable as of June 30, 2017.

Charter School Revolving Loans

In August 2014, the Oxford Preparatory Academy – South Orange County was approved to borrow \$250,00 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA). The funds were borrowed to directly assist with start-up funds for the South Orange County site. The loan is to be repaid over a five-year period ending June 20, 2020. The revolving note bears an annualized interest rate equal to the “prime rate” of 0.26%. During the fiscal year ended June 30, 2017, South Orange County made payments of \$50,471, which included \$49,998 of principal and \$743 of interest expense. As of June 30, 2017, the outstanding balance on the loan was \$150,004.

In June 2016, the Oxford Preparatory Academy – Saddleback Valley was approved by the CSFA to borrow \$250,000 through the Charter Revolving Loan Fund Program. The funds are directly related to the start-up costs associated with the Saddleback Valley site and are to be repaid over a five-year period ending June 30, 2021. Payments began in September 2016. The revolving note bears an annualized interest rate equal to the “prime rate” of 0.57%. During the fiscal year ended June 30, 2017, Saddleback Valley made payments of \$51,069, which included \$49,998 of principal and \$1,071 of interest expense. As of June 30, 2017, the outstanding balance on the loan was \$200,002.

Repayment obligations on the above referenced debt are as follows:

| Fiscal year ending June 30, | South Orange | Saddleback | Total |
|-----------------------------|-------------------|-------------------|-------------------|
| | County | Valley | |
| 2018 | \$ 50,000 | \$ 50,000 | \$ 100,000 |
| 2019 | 50,000 | 50,000 | 100,000 |
| 2020 | 50,004 | 50,000 | 100,004 |
| 2021 | - | 50,002 | 50,002 |
| Total | \$ 150,004 | \$ 200,002 | \$ 350,006 |

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 6 – LOANS PAYABLE (continued)

Edlighten Learning Solutions

The Organization received a loan for \$100,000 from Edlighten Learning Solutions during the fiscal year ended June 30, 2016. The loan was to fund the start-up of Oxford Preparatory Academy – Saddleback Valley. The term of the loan required semi-annual repayment and carries a four percent interest rate. The Organization is involved in litigation with Edlighten Learning Solutions and terms of repayment are likely to be revised (refer to Note 9).

NOTE 7 – DONATED MATERIALS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Oxford Preparatory Academy in an effort to advance the Charters' 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 – EMPLOYEE RETIREMENT PLANS

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

California State Teachers' Retirement System (CalSTRS)

Plan Description

Oxford Preparatory Academy 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 10.25% or 9.205% of their 2016-17 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute.

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – EMPLOYEE RETIREMENT PLANS (continued)

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

Funding Policy (continued)

The Charters’ contributions to CalSTRS for the last three fiscal years were as follows:

| | <u>Contribution</u> | <u>Percent of Required Contribution</u> |
|---------|---------------------|---|
| 2016-17 | \$ 974,553 | 100% |
| 2015-16 | \$ 733,302 | 100% |
| 2014-15 | \$ 506,735 | 100% |

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Oxford Preparatory Academy is estimated at \$337,449, which is computed as the proportionate share of total 2015-16 State on-behalf contributions.

California Public Employees’ Retirement System (CalPERS)

Plan Description

Oxford Preparatory Academy contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. 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. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

Funding Policy

Active plan members, who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

Oxford Preparatory 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 for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by state statute. The Charters’ contributions to CalPERS for the last three fiscal years were as follows:

| | <u>Contribution</u> | <u>Percent of Required Contribution</u> |
|---------|---------------------|---|
| 2016-17 | \$ 437,350 | 100% |
| 2015-16 | \$ 288,096 | 100% |
| 2014-15 | \$ 253,797 | 100% |

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

Oxford Preparatory 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Multi-employer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately \$8,965,498 as of June 30, 2016. Also as of June 30, 2016, CalPERS has estimated the Charter's share of withdrawal liability to be \$4,195,162. The Charter does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 8 for additional information on employee retirement plans.

Line of Credit

In August 2016, Oxford Preparatory Academy obtained a promissory note for a revolving line of credit with California Credit Union in the amount of \$1,000,000. The Organization grants the California Credit Union a continuing lien and security interest in any and all deposits as security for full and punctual payment. The promissory note calls for an annual percentage rate of 5.25% and matures on August 31, 2019. The Organization had no outstanding loan payable under this line of credit as of June 30, 2017.

Lease Agreements

Facility Use Agreements

In December 2011, the Organization entered in to a facilities memorandum of understanding (MOU) with the Chino Valley Unified School District for a school site to be utilized by Oxford Preparatory Academy – Chino Valley for classroom instruction. The MOU was for use of facilities at 5862 C Street in Chino, California and expired on June 30, 2017. In October 2014, the Organization entered into a facilities use agreement with the Capistrano Unified School District for a school site to be utilized by Oxford Preparatory Academy – Saddleback Valley for classroom instruction. The agreement covers the duration of the charter petition and specifies use of the school site located at 23000 Via Santa Maria in Mission Viejo, California. Year 1 calculated the total use fee as \$159,439 in 2014-15 and is set to increase by three percent each academic year.

Portable Classrooms

In October 2015, the Organization entered into a lease agreement for three (3) portable classrooms at the Chino Valley site. The term covered a five-year period commencing October 15, 2015 and ending October 14, 2020. The agreement calls for annual and semi-annual payments totaling \$204,000 and includes a dismantle and return fee of \$7,550 per unit to be paid upon termination of the lease. In April 2014, the Organization entered into another lease for one additional relocatable classroom. The term covers a five-year period commencing May 1, 2014 and ending April 30, 2019. Fees of \$7,680 were paid upon execution of the agreement and the balance of \$30,720 was to be repaid in four equal annual installments. In addition to the annual rental, installation fees of \$6,982 and one-time improvements of \$35,995 were to be paid with the initial lease payment. The agreement also includes a dismantle and return fees upon termination of \$6,982.

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 9 – COMMITMENTS AND CONTINGENCIES (continued)

Lease Agreements (continued)

Lease Purchase

In August 2013, the Organization agreed to cover half of the cost of a lease purchase made by the Chino Valley Unified School District for a science lab and classroom building. The original contracted price totaled \$366,500 and covered a five-year period. Annual payments due to CVUSD under the lease purchase amounted to \$33,707.50 to cover Chino Valley's portion of the shared cost. The fiscal year ended June 30, 2017 was Year 4 on the agreement leaving one annual payment of \$33,707.50 due in the fiscal year 2017-18.

Edlighten Learning Solutions

Edlighten Learning Solutions ("ELS"), a separate nonprofit organization providing charter management services, was established by the former executive director and founder, Susan Roche. Prior to July 1, 2016, ELS served as a related party to Oxford Preparatory Academy given that the Organization's bylaws were amended and contractual agreements were entered into noting ELS as the sole statutory member of the Organization. Organizational documents have since been revised, there has been a change in management, and a termination agreement dated May 26, 2016 was executed by both parties.

On November 22, 2016, the Fiscal Crisis & Management Assistance Team (FCMAT) provided a report on an extraordinary audit requested by the San Bernardino County Superintendent of Schools on behalf of the Chino Valley Unified School District and Oxford Preparatory Academy. Among several findings and recommendations, a conflict of interest was deemed to exist with management who served prior to July 1, 2016 and affiliate organizations, such as ELS.

On March 13, 2017, the Organization filed a lawsuit against Edlighten Learning Solutions and Susan Roche. In the case filed with the Orange County Superior Court, Oxford Preparatory Academy vs. Edlighten Learning Solutions, Susan Roche, the Organization details complaints for breach of contract, fiduciary duty and negligence. The Organization is still currently in litigation to recover funds and will consider other financial transactions, such as the payable disclosed in Note 5 and loan in Note 6 during its settlement proceedings.

NOTE 10 – RELATED PARTY TRANSACTIONS

Authorizing Agencies

The Charters make payments to the authorizing agencies, CVUSD, CUSD and OCDE, to provide certain purchased services in addition to fees for oversight. In accordance with California Education Code 4713(b), the authorizing agency may charge actual costs of oversight not to exceed three percent of revenue from local control funding formula sources if the authorizing agency also provides substantially free facilities; the authorizing agencies provides such facilities. Total fees paid to the authorizing agency for oversight and facility use amounted to \$382,002 in total for the fiscal year ending June 30, 2017. Refer to Note 9 for additional agreements with the authorizing agencies.

OXFORD PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – RELATED PARTY TRANSACTIONS (continued)

Interagency Activity

Receivables and payables due between the charter schools are classified as due to/from related entities within the Statement of Financial Position by Charter (see supplementary information section). Interagency transactions and balances are eliminated in the financial statements of the Organization to better reflect the true activities of the corporation.

NOTE 11 – SUBSEQUENT EVENTS

Oxford Preparatory Academy has evaluated subsequent events for the period from June 30, 2017 through November 22, 2017, the date the financial statements were available to be issued.

As mentioned in Note 1A, Oxford Preparatory Academy – Chino Valley closed school operations effective June 30, 2017. As a result, Chino Valley will subsequently be in the process of final financial closure. Due to the closure, the Organization is required to determine the net assets or net liabilities remaining and disclose such information. This information, as of June 30, 2017, is noted in the Statement of Financial Position by Charter found in the supplementary information section under Charter No. 1178, Chino Valley. On August 4, 2017, the Organization received a memo from CVUSD detailing various site and building repairs and maintenance activities that were required as part of vacating the school site provided by CVUSD. As of the date of the audit, the full cost of those activities has not been determined but are expected to be between \$150,000 and \$250,000. In addition, in October 2017, the Organization paid \$66,690 to Class Leasing, LLC as final termination and removal costs for the previously leased modular buildings.

In October 2017, the Organization entered into a settlement release agreement with Turner-Agassi Charter School Facility Fund, LP as part of the termination of the January 8, 2016 lease of a planned high school facility that required payment of \$1,007,500. Simultaneously, the Organization also entered in to a mutual release and settlement agreement with Philadelphia Indemnity that resulted in a payment to the Organization in the amount of \$1,000,000 to settle a claim. The payment from Philadelphia Indemnity was sent directly to an escrow account held by the Organization's attorney, and the payment to Turner-Agassi was sent from that account. As of the date of these published financial statements, the Organization has not yet determined the allocation of those payments between the schools, but only the net amount of \$7,500 will be reflected on the combined Organization financial statements in the 2017-18 year.

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

SUPPLEMENTARY INFORMATION SECTION

OXFORD PREPARATORY ACADEMY
STATEMENT OF FINANCIAL POSITION BY CHARTER
JUNE 30, 2017

| | <i>California Public Charter Schools</i> | | | | |
|---|--|------------------------|----------------------|------------------------------|-------------------------------|
| | <i>No. 1178</i> | <i>No. 1324</i> | <i>No. 1784</i> | Inter-Agency Eliminations | Organization Total |
| | Chino Valley | South Orange County | Saddleback Valley | | |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 1,080,656 | \$ 1,664,096 | \$ 1,429,509 | \$ - | \$ 4,174,261 |
| Accounts receivable | 1,091,632 | 161,808 | 722,856 | - | 1,976,296 |
| Due from related entity | 575,181 | 1,522 | - | (576,703) | - |
| Prepaid expenses | 25,249 | 11,285 | 3,073 | - | 39,607 |
| Other current assets | 1,975 | 1,448 | 18,965 | - | 22,388 |
| Total current assets | 2,774,693 | 1,840,159 | 2,174,403 | (576,703) | 6,212,552 |
| Capital assets | | | | | |
| Property and equipment | 2,068,512 | 1,090,092 | 61,010 | - | 3,219,614 |
| Less accumulated depreciation | (954,700) | (365,956) | (8,015) | - | (1,328,671) |
| Capital assets, net | 1,113,812 | 724,136 | 52,995 | - | 1,890,943 |
| Total Assets | \$ 3,888,505 | \$ 2,564,295 | \$ 2,227,398 | \$ (576,703) | \$ 8,103,495 |
| LIABILITIES AND NET ASSETS | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 1,148,372 | \$ 501,444 | \$ 296,990 | \$ - | \$ 1,946,806 |
| Due to related entity | - | 177,234 | 399,469 | (576,703) | - |
| Loans payable | - | 150,004 | 300,002 | - | 450,006 |
| Total liabilities | 1,148,372 | 828,682 | 996,461 | (576,703) | 2,396,812 |
| Net assets | | | | | |
| Unrestricted | 2,740,133 | 1,735,613 | 1,230,937 | - | 5,706,683 |
| Total net assets | 2,740,133 | 1,735,613 | 1,230,937 | - | 5,706,683 |
| Total Liabilities and Net Assets | \$ 3,888,505 | \$ 2,564,295 | \$ 2,227,398 | \$ (576,703) | \$ 8,103,495 |

See accompanying note to supplementary information.

**OXFORD PREPARATORY ACADEMY
STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2017**

| | <i>California Public Charter Schools</i> | | | Organization Total |
|---|--|------------------------|----------------------|-------------------------------|
| | <i>No. 1178</i> | <i>No. 1324</i> | <i>No. 1784</i> | |
| | Chino Valley | South Orange County | Saddleback Valley | |
| UNRESTRICTED SUPPORT AND REVENUES | | | | |
| Federal and state support and revenues | | | | |
| Local control funding formula, state aid | \$ 6,985,427 | \$ 1,097,603 | \$ 1,124,788 | \$ 9,207,818 |
| Federal revenues | 151,765 | 111,752 | 375,000 | 638,517 |
| Other state revenues | 1,558,985 | 783,773 | 416,014 | 2,758,772 |
| Total federal and state support and revenues | 8,696,177 | 1,993,128 | 1,915,802 | 12,605,107 |
| Local support and revenues | | | | |
| Payments in lieu of property taxes | 2,084,778 | 4,736,378 | 3,473,977 | 10,295,133 |
| Grants and donations | - | 3,000 | 5,050 | 8,050 |
| Investment income, net | - | 3,935 | 1,229 | 5,164 |
| Afterschool care fees | 208,615 | 293,564 | 467,111 | 969,290 |
| Other local revenues | 17,459 | 11,646 | 18,759 | 47,864 |
| Total local support and revenues | 2,310,852 | 5,048,523 | 3,966,126 | 11,325,501 |
| Total Unrestricted Support and Revenues | 11,007,029 | 7,041,651 | 5,881,928 | 23,930,608 |
| EXPENSES | | | | |
| Program services | 6,682,203 | 4,815,497 | 3,208,082 | 14,705,782 |
| Supporting services | | | | |
| Management and general | 3,001,633 | 1,990,102 | 1,432,343 | 6,424,078 |
| Total Expenses | 9,683,836 | 6,805,599 | 4,640,425 | 21,129,860 |
| CHANGE IN NET ASSETS | 1,323,193 | 236,052 | 1,241,503 | 2,800,748 |
| Net Assets - Beginning | 1,416,940 | 1,499,561 | (10,566) | 2,905,935 |
| Net Assets - Ending | \$ 2,740,133 | \$ 1,735,613 | \$ 1,230,937 | \$ 5,706,683 |

See accompanying note to supplementary information.

**OXFORD PREPARATORY ACADEMY
STATEMENT OF CASH FLOWS BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2017**

| | <i>California Public Charter Schools</i> | | | | |
|--|--|------------------------|----------------------|------------------------------|-------------------------------|
| | <i>No. 1178</i> | <i>No. 1324</i> | <i>No. 1784</i> | Inter-Agency Eliminations | Organization Total |
| | Chino Valley | South Orange County | Saddleback Valley | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Change in net assets | \$ 1,323,193 | \$ 236,052 | \$ 1,241,503 | \$ - | \$ 2,800,748 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | | | | |
| Depreciation | 280,977 | 108,787 | 8,015 | - | 397,779 |
| (Increase) decrease in operating assets | | | | | |
| Accounts receivable | 492,865 | 570,724 | (722,856) | - | 340,733 |
| Due from related entity | (575,181) | (1,522) | - | 576,703 | - |
| Prepaid expenses and other assets | (19,277) | (12,733) | 30,462 | - | (1,548) |
| Increase (decrease) in operating liabilities | | | | | |
| Accounts payable | (19,737) | (600,758) | 206,874 | - | (413,621) |
| Due to related entity | - | 177,234 | 399,469 | (576,703) | - |
| Deferred revenue | (47,878) | - | - | - | (47,878) |
| Net cash provided by (used in) operating activities | 1,434,962 | 477,784 | 1,163,467 | - | 3,076,213 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of capital assets | (6,047) | (421,198) | (18,394) | - | (445,639) |
| Net cash provided by (used in) investing activities | (6,047) | (421,198) | (18,394) | - | (445,639) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Principal payments on loans payable | (372,700) | (49,998) | (49,998) | - | (472,696) |
| Net cash provided by (used in) financing activities | (372,700) | (49,998) | (49,998) | - | (472,696) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,056,215 | 6,588 | 1,095,075 | - | 2,157,878 |
| Cash and cash equivalents - Beginning | 24,441 | 1,657,508 | 334,434 | - | 2,016,383 |
| Cash and cash equivalents - Ending | \$ 1,080,656 | \$ 1,664,096 | \$ 1,429,509 | \$ - | \$ 4,174,261 |

See accompanying note to supplementary information.

**OXFORD PREPARATORY ACADEMY
CHARTER ORGANIZATIONAL STRUCTURE
JUNE 30, 2017**

Oxford Preparatory Academy was formed as a nonprofit public benefit corporation on April 21, 2009. As of June 30, 2017, Oxford Preparatory Academy operated three (3) California public charter schools in two counties to serve students in grades K – 8. The following is information on the charter schools:

| Charter School | Charter No. | Classes Began | Authorizing Agency | County |
|--|-------------|---------------|--------------------|----------------|
| Oxford Preparatory Academy - Chino Valley | 1178 | 9/7/2010 | CVUSD | San Bernardino |
| Oxford Preparatory Academy - South Orange County | 1324 | 9/6/2011 | CCUSD | Orange |
| Oxford Preparatory Academy - Saddleback Valley | 1784 | 9/6/2016 | OCDE | Orange |

The Board of Directors of Oxford Preparatory Academy oversees the operations for all charter schools of the Organization. As of June 30, 2017, the members of the board and administrators are as follows:

BOARD OF TRUSTEES

| Name | Office | Term Expiration |
|---------------|------------|-----------------|
| Andrew Vestey | Chairman | June 2020 |
| Sandra Garner | Vice Chair | June 2020 |
| Neveen Adly | Treasurer | June 2020 |
| Albert Diaz | Secretary | June 2020 |
| Debra Tarver | Member | June 2020 |

ADMINISTRATION

Denise Pascoe
Interim Executive Director

Andrew Crowe
Interim Managing Director

See accompanying note to supplementary information.

**OXFORD PREPARATORY ACADEMY
SCHEDULE OF AVERAGE DAILY ATENDANCE
FOR THE YEAR ENDED JUNE 30, 2017**

| | Classroom-Based | |
|--|---------------------------|-----------------|
| | Second Period | |
| | Report | Annual Report |
| Oxford Preparatory Academy - Chino Valley | | |
| Regular ADA | | |
| Grades K - 3* | 485.90 | 484.67 |
| Grades 4 - 6 | 358.60 | 357.95 |
| Grades 7 - 8 | 264.67 | 263.27 |
| Total Average Daily Attendance - Classroom -Based | 1,109.17 | 1,105.89 |
| Oxford Preparatory Academy - South Orange County | | |
| Regular ADA | | |
| Grades K - 3* | 320.63 | 329.57 |
| Grades 4 - 6 | 287.58 | 287.00 |
| Grades 7 - 8 | 144.49 | 142.83 |
| Total Average Daily Attendance - Classroom -Based | 752.70 | 759.40 |
| Oxford Preparatory Academy - Saddleback Valley | | |
| Regular ADA | | |
| Grades K - 3* | 346.58 | 347.09 |
| Grades 4 - 6 | 184.17 | 184.53 |
| Grades 7 - 8 | 54.99 | 54.71 |
| Total Average Daily Attendance - Classroom -Based | 585.74 | 586.33 |
| | NonClassroom-Based | |
| | Second Period | |
| | Report | Annual Report |
| Oxford Preparatory Academy - Chino Valley | | |
| Regular ADA | | |
| Grades K - 3* | 54.89 | 56.50 |
| Grades 4 - 6 | 9.18 | 9.03 |
| Grades 7 - 8 | 5.62 | 5.56 |
| Total Average Daily Attendance - NonClassroom-Based | 69.69 | 71.09 |
| Oxford Preparatory Academy - South Orange County | | |
| Regular ADA | | |
| Grades K - 3* | 37.42 | 29.45 |
| Grades 4 - 6 | 9.47 | 8.92 |
| Grades 7 - 8 | 1.97 | 2.48 |
| Total Average Daily Attendance - NonClassroom-Based | 48.86 | 40.85 |

Oxford Preparatory Academy – Saddleback Valley had no nonclassroom-based ADA in 2016-17.

*Includes Transitional Kindergarten (TK)

See accompanying note to supplementary information.

**OXFORD PREPARATORY ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

| Charter School | Minutes | 2016-17 | Number of Days | |
|---|--------------------|-----------------------|-----------------------|---------------|
| Grade Span | Requirement | Actual Minutes | Traditional | Status |
| | | | Calendar | |
| Oxford Preparatory Academy - Chino Valley | | | | |
| Kindergarten | 36,000 | 42,000 | 175 | Complied |
| Grades 1 through 3 | 50,400 | 54,875 | 175 | Complied |
| Grades 4 through 8 | 54,000 | 54,875 | 175 | Complied |
| Oxford Preparatory Academy - South Orange County | | | | |
| Kindergarten | 36,000 | 42,000 | 175 | Complied |
| Grades 1 through 3 | 50,400 | 54,875 | 175 | Complied |
| Grades 4 through 8 | 54,000 | 54,875 | 175 | Complied |
| Oxford Preparatory Academy - Saddleback Valley | | | | |
| Kindergarten | 36,000 | 42,000 | 175 | Complied |
| Grades 1 through 3 | 50,400 | 55,000 | 175 | Complied |
| Grades 4 through 8 | 54,000 | 55,000 | 175 | Complied |

See accompanying note to supplementary information.

OXFORD PREPARATORY ACADEMY
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED
FINANCIAL STATEMENTS
JUNE 30, 2017

| | <i>No. 1178</i> |
|--|---------------------|
| | Chino |
| | <u>Valley</u> |
| June 30, 2017, fund balance per alternative form | <u>\$ 2,543,997</u> |
| Adjustments: | |
| Increase (decrease) in total net assets: | |
| Understated/(overstated) revenues | |
| Other state revenues | 17,187 |
| Certificateed salaries expense | <u>178,949</u> |
| Total net adjustments | <u>196,136</u> |
| June 30, 2017, net assets per audited financial statements | <u>\$ 2,740,133</u> |

For the fiscal year ended June 30, 2017, 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 following charter schools:

- Oxford Preparatory Academy – South Orange County (Charter No. 1324)
- Oxford Preparatory Academy – Saddleback Valley (Charter No. 1784)

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A. Statements by Charter

Oxford Preparatory Academy statements of financial position, activities, functional expenses, and cash flows by Charter provide information supporting the amounts incorporated in the Organization’s financial statements.

B. Charter Organizational Structure

This schedule provides information about the Charters’ authorizing agency, grades served, members of the governing body, and members of the administration.

C. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

D. Schedule of Instructional Time

Oxford Preparatory Academy receives, as part of their local control funding formula sources, incentive funding for maintaining instructional time. This schedule presents information on the amount of instructional time offered by the Oxford Preparatory Academy and whether the Charters complied with the provisions of *Education Code Section 46200 through 46208*.

E. Reconciliation of Annual Financial Report – Alternative Form and Budget Report with Audited Financial Statements

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

**OTHER INDEPENDENT AUDITORS'
REPORTS**

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

Independent Auditors' Report

To the Board of Directors of
Oxford Preparatory Academy
Corona, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Oxford Preparatory Academy (the "Organization") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated November 22, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California

November 22, 2017

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

To the Board of Directors of
Oxford Preparatory Academy
Corona, California

Report on State Compliance

We have audited Oxford Preparatory Academy's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Oxford Preparatory Academy's state programs for the fiscal year ended June 30, 2017, as identified below. Reference to Oxford Preparatory Academy within this letter is inclusive of Chino Valley (No. 1178), South Orange County (No. 1324), and Saddleback Valley (No. 1784).

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 Oxford Preparatory Academy'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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810. 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. An audit includes examining, on a test basis, evidence about Oxford Preparatory 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 compliance with the requirements referred to above. However, our audit does not provide a legal determination of Oxford Preparatory Academy's compliance with those requirements.

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Opinion on State Compliance

In our opinion, Oxford Preparatory Academy complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance for Oxford Preparatory Academy – South Orange County, which is described in the accompanying schedule of findings and questioned costs as items Finding 2017-1. Our opinion on state compliance is not modified with respect to these matters.

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

Procedures Performed

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

| Description | Procedures Performed |
|--|----------------------|
| School Districts, County Offices of Education and Charter Schools | |
| Educator Effectiveness | Yes |
| California Clean Energy Jobs Act | Yes |
| After School Education and Safety Program: | Not applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| 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 Instruction/Independent Study for Charter Schools | Yes/Not applicable* |
| Determination of Funding for Nonclassroom-Based Instruction | Not applicable |
| Annual Instructional Minutes – Classroom Based | Yes |
| Charter School Facility Grant Program | Not applicable |

*Nonclassroom-Based Instruction/Independent Study was not applicable for Saddleback Valley (No. 1784).

Christy White Associates

San Diego, California
November 22, 2017

**FINDINGS AND QUESTIONED COSTS
SECTION**

**OXFORD PREPARATORY ACADEMY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

Financial Statements

| | |
|---|----------------------|
| Type of auditors' report issued | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <u>None Reported</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

Federal Awards

*Not applicable because the Organization did not expend \$750,000
in federal expenditures in fiscal year ended June 30, 2017.*

State Awards

| | |
|---|-------------------|
| Internal control over state programs: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <u>Yes</u> |
| Type of auditors' report issued on compliance for state programs: | <u>Unmodified</u> |

**OXFORD PREPARATORY ACADEMY
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no audit findings related to the financial statements during 2016-17.

**OXFORD PREPARATORY ACADEMY
 STATE AWARD FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017**

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

FINDING 2017-1: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)

Criteria: Students designated as an English Learner (EL), who are not classified as Free and Reduced Meal (FRPM) eligible and not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report, must have supporting documentation that indicates the student was eligible for this designation. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: Based on review and testing of student designations from the 2016-17 CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report for Oxford Preparatory Academy – South Orange County, we noted an exception in our initial audit test work of EL-only students. Supporting documentation indicated that one (1) of three (3) students was Reclassified Fluent English Proficient (RFEP) rather than EL based on an assessment from June 2016. Based on this error, further audit procedures were performed on the full population of twenty-nine (29) EL-only students. As a result, two (2) additional students were also noted as being RFEP based on assessment documentation from June 2016.

Effect: The charter school is not in compliance with State requirements. A total of three (3) students were found to be improperly designated.

Cause: Students were properly assessed but English Learner Acquisition Status (ELAS) designations for students who were reclassified from EL to RFEP were not timely updated in the AERIES student information system to ensure for accurate CALPADS reporting. Data would need to be input before the end of the 2016-17 Fall 1 submission window (or amendment window, if applicable) and prior to certification of CALPADS data; however, information for the students mentioned above was not reflected in the system at that time.

**OXFORD PREPARATORY ACADEMY
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDING 2017-1: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000),
continued**

Questioned Cost: A total of \$810 as calculated below using guidance from the California Department of Education (CDE):

| UPP Audit Adjustment | | | | | |
|--|--|---------------|------------|---------------|------------------|
| 1 | Total Adjusted Enrollment from the UPP exhibit as of P-2 | | | 2,520 | |
| 2 | Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2 | | | 323 | |
| 3 | Audit Adjustment - Number of Enrollment | | | - | |
| 4 | Audit Adjustment - Number of Unduplicated Pupil Count | | | (3) | |
| 5 | Revised Adjusted Enrollment | | | 2,520 | |
| 6 | Revised Adjusted Unduplicated Pupil Count | | | 320 | |
| 7 | UPP calculated as of P-2 | | | 0.1282 | |
| 8 | Revised UPP for audit finding | | | 0.1270 | |
| 9 | Charter Schools Only: Determinative School District Concentration Cap | | | 0.2328 | |
| 10 | Revised UPP adjusted for Concentration Cap | | | 0.1270 | |
| LCFF Target Supplemental Grant Funding Audit Adjustment | | TK/K-3 | 4-6 | 7-8 | 9-12 |
| 9 | Supplemental and Concentration Grant ADA | 358.05 | 297.05 | 146.46 | 0.00 |
| 10 | Adjusted Base Grant per ADA | \$7,820 | \$7,189 | \$7,403 | \$8,801 |
| 11 | Target Supplemental Grant Funding calculated as of P-2 | | | | \$154,345 |
| 12 | Revised Target Supplemental Grant Funding for audit finding | | | | \$152,901 |
| 13 | Target Supplemental Grant Funding audit adjustment | | | | (\$1,444) |
| LCFF Target Concentration Grant Funding Audit Adjustment | | | | | |
| 14 | Target Concentration Grant Funding calculated as of P-2 | | | | \$0 |
| 15 | Revised Target Concentration Grant Funding for audit finding | | | | \$0 |
| 16 | Target Concentration Grant Funding audit adjustment | | | | \$0 |
| Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target | | | | | |
| 18 | Total Target Supplemental and Concentration audit adjustment | | | | (\$1,444) |
| Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap | | | | | |
| 19 | Statewide Gap Funding Rate as of P-2 | | | | 0.5607679980 |
| 20 | Estimated Cost of Unduplicated Pupil Count audit adjustment | | | | (\$810) |

Recommendation: We recommend that language assessment documentation be reviewed and used for accurate CALPADS reporting. Additionally, student assessment information should be reflected in the student information system on a timely basis.

**OXFORD PREPARATORY ACADEMY
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDING 2017-1: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000),
continued**

Corrective Action Plan: Oxford Preparatory Academy (OPA) agrees with the Unduplicated Local Control Funding Formula Pupil Count finding (40000) as it relates to students identified as English Learners and English Learners who are Reclassified Fluent English Proficient. In order to prevent future audit findings in this area OPA will implement an internal process for cross referencing the annual internally generated lists of students who have been Reclassified Fluent English Proficient (RFEP) with lists of students who are identified as English Learners (EL) to ensure there are no duplicates on either list. As such, OPA will run a query through our student information system to provide lists of EL students and immediately update our student information system if duplicate students are found on the RFEP and EL lists. Additionally, all updates from EL to RFEP status will be completed within our student information system after the annual certification of October census data and before June 30th of each academic year. OPA will also run CALPADS 1.18 FRPM/English Learner/Foster Youth-Student List reports two weeks prior to the annual October census date to verify RFEP students from the previous year are not identified as EL on the CALPADS 1.18 report to ensure student designations for EL status have been properly updated in CALPADS.

**OXFORD PREPARATORY ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING 2016-001: INSTITUTIONAL CONTROLS RELATED TO FINANCIAL REPORTING OF RELATED PARTIES/CONFLICTS OF INTEREST – 30000

Criteria: The management of the Academy have the responsibility to document in detail and fully disclose to the auditors, governing board, the District as the oversight agency, and the state, for purposes of conflict of interest and full disclosure reporting requirements, any and all potential related party transactions to comply with Generally Accepted Accounting Principles (GAAP).

Condition: The former Executive Director established, with the knowledge of management and the Board, a separate non-profit Charter Management Organization (CMO) – Edlighten Learning Solutions. During the year, it was discovered that the Academy’s bylaws had been amended and contractual agreements entered onto that created a requirement for consolidation of CMO into the financial statements of the Academy. During the year, current management amended the bylaws and the contracts with CMO were terminated.

Notwithstanding these actions, it is clear the management had withheld these facts in prior years, which resulted in financial reporting not in conformity with GAAP. Furthermore, the CMO exercised significant influence over transactions and contracts between these entities, and secured considerable financial benefit through contracts that required management service fees up to 10% of apportionment revenue and charging for services that might have already existed. At June 30, 2016, unexpended funds, estimated to be approximately \$900,000, remain in the custody of the CMO as a result of fees charged under the contracts.

Questioned Costs: None.

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.

Effect: By not properly consolidating the CMO into the financial statements of the Academy, management concealed the use of these funds from the auditors, governing board, the District as the oversight agency, and the state for purposes of conflict of interest and full disclosure reporting requirements. Related party relationships must be transparent and fully disclosed to ensure that agreements between the District and charter school are enforced.

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.

**OXFORD PREPARATORY ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING 2016-001: INSTITUTIONAL CONTROLS RELATED TO FINANCIAL REPORTING OF RELATED PARTIES/CONFLICTS OF INTEREST – 30000 (continued)

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 resulted 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. 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. |
| Executive Director | The replacement of the Executive Director with an individual who has no ties to the founder. | 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. The candidate will work closely under the Board’s direction to ensure the decisions and recommendations of the Board are fully implemented. 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. The Executive Director will report directly to the Board. 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. |

**OXFORD PREPARATORY ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING 2016-001: INSTITUTIONAL CONTROLS RELATED TO FINANCIAL REPORTING OF RELATED PARTIES/CONFLICTS OF INTEREST – 30000 (continued)

Management Response (continued):

| Target | Action | Purpose |
|---------------------------|--|--|
| 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 | 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. Additionally, full disclosure will be required from all potential employees//vendors should they enter into a relationship creating nepotism subsequent to their employment with the organization. | The policy and code will ensure the Board is aware of relationships that may already exist within the organization. The Board will ensure that said relationships do not hinder transparency, accountability and compliance; nor subject the organization to fraud, mismanagement or misappropriation of funds. 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. |
| Conflict of Interest Code | Review and possibly revise the existing Conflict of Interest Code to ensure active enforcement. | The Board and Administration is actively called to review and revise, as necessary, to bolster and strengthen the existing Conflict of Interest Code. 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. |

**OXFORD PREPARATORY ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING 2016-001: INSTITUTIONAL CONTROLS RELATED TO FINANCIAL REPORTING OF RELATED PARTIES/CONFLICTS OF INTEREST – 30000 (continued)

Management Response (continued):

| Target | Action | Purpose |
|---------------------------|---|--|
| Annual Update | 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: 1. Administration/Staffing: review/update changes to the Administration/Staffing 2. Corporate Structure: site additions/deletions 3. Policy: significant policy changes 4. Legal: existing/pending legal matters | 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 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"> ⊙ Audit Committee ⊙ Hiring of Key Employee ⊙ Special Construction Projects ⊙ Fiscal Policy Review/Update ⊙ Volunteer Policy | 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. |

Current Status: Implemented.