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INDEPENDENT AUDITORS' REPORT

Governing Board
Ocean Charter School
(A California Non-Profit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Ocean Charter School (the Charter School) (A California Non-Profit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, 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; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-2015*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter School as of June 30, 2015, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as referenced in the previous paragraph is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic 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 _____, 2015, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2015

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current Assets

Cash	\$ 1,233,080	
Restricted Cash	7,334,326	
Accounts receivable	410,563	
Prepaid expenses	<u>76,086</u>	
Total Current Assets		\$ 9,054,055

Non-Current Assets

Fixed assets	321,221	
Less: accumulated depreciation	<u>163,015</u>	
Total Non-Current Assets		<u>158,206</u>

Total Assets \$ 9,212,261

LIABILITIES

Current Liabilities

Accounts payable	151,596	
Deferred revenue	<u>7,375,821</u>	
Total Current Liabilities		\$ 7,527,417

Long-Term Debt

Non-current portion of long-term obligations		<u>86,364</u>
Total Liabilities		<u>7,613,781</u>

NET ASSETS

Unrestricted	<u>1,598,480</u>	
Total Net Assets		<u>1,598,480</u>

Total Liabilities and Net Assets \$ 9,212,261

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015**

REVENUES

Local Control Funding Formula	\$ 2,925,911
Federal revenue	84,143
State revenue	734,830
Local revenues	725,120
Total Revenue	<u>4,470,004</u>

EXPENSES

Program services	
Teacher salaries and benefits	2,392,380
Other student services	312,696
Educational programs	84,976
Student supplies	54,755
Student nutrition	56,304
Special education fee	154,900
Depreciation	3,387
Capital outlay	81,648
Subtotal	<u>3,141,046</u>
Management and general	
Clerical salaries and benefits	467,262
District supervisory fee	29,258
Occupancy	325,336
Insurance	33,231
Operating expenses	354,914
Subtotal	<u>1,210,001</u>
Total Expenses	<u>4,351,047</u>

INCREASE IN UNRESTRICTED NET ASSETS	118,957
NET ASSETS, BEGINNING OF YEAR	<u>1,479,523</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,598,480</u></u>

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in unrestricted net assets	\$ 118,957
Adjustments to reconcile increase in net assets to net cash used by operating activities	
Depreciation expense	3,387
Changes in operating assets and liabilities	
Decrease in accounts receivable	77,465
Increase in prepaid expenditures	(36,742)
Decrease in accounts payable	(125,463)
Decrease in deferred revenue	<u>(86,213)</u>
Net Cash Used by Operating Activities	<u>(48,609)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(65,282)
Restricted cash released for construction, net	<u>79,096</u>
Net Cash Used by Investing Activities	<u>13,814</u>
NET DECREASE IN CASH	(34,795)
CASH, BEGINNING OF YEAR	<u>1,267,875</u>
CASH, END OF YEAR	<u><u>\$ 1,233,080</u></u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - ORGANIZATION AND MISSION

The Ocean Charter School (the Charter School) is a non-profit public benefit corporation formed exclusively to manage, operate, guide, direct, promote and to educate within the meaning of IRS Code Section 501(c)(3). The Charter School petitioned through Los Angeles Unified School District (the District) for a charter and was approved by the State of California Department of Education on March 24, 2003, renewed in 2013 for a period of five years ending in 2017.

Charter School number authorized by the State: 0569

The Charter School has two locations. One campus located on 12606 Culver Blvd., Los Angeles, opened in 2004 and currently serves approximately 250 students in grades kindergarten through three. The second campus located on 7400 W Manchester Ave, Los Angeles, opened in 2012, and currently serves 223 students in grades four through eight. The Charter School is committed to achieving academic excellence through experiential learning, enhancing the growth of curiosity and imagination through the rigorous practice of an arts-integrated curriculum. This approach addresses the whole child, promoting the development of healthy, responsible, and creative human beings. Our graduates will have the vision, desire and skill to live meaningful lives, balance technology and humanity, and create a sustainable future.

Other Related Entities

Joint Powers Agency and Risk Management Pools - The Charter School is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) DBA CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of the Charter School. Additional information is presented in Note 13 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by the Charter School are described below to enhance the financial statements.

Financial Statement Presentation

The Charter School is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Charter School had no temporarily or permanently restricted net assets as of June 30, 2015. In addition, the Charter School is required to present a Statement of Cash Flows.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The Charter School uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions".

Income Taxes

The Charter School is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2009 and forward may be audited by regulatory agencies, however, the Charter School is not aware of any such actions at this time.

The Charter School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Charter School considers all unrestricted cash on hand and in banks to be cash equivalents.

Restricted Cash - Cash Held For Restricted Purposes

The Charter School has proceeds from Proposition 1D that are classified as restricted assets with corresponding deferred revenue liability on the balance sheet because their use is limited to guidelines established by the Charter School Facility Program construction projects.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2015, management had determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Charter School has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

It is the Charter School's policy to capitalize individual property and equipment purchases over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment 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. Furniture and equipment are depreciated using the straight-line method over 5 to 7 years. For the year ended June 30, 2015, depreciation expense was \$3,387.

Deferred Revenue

The funding received for Proposition 1D is recorded as deferred when collected and recognized as revenue when spent.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Charter School's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

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 and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation on fixed assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicated tentative plans for financial resource utilization in a future period. As of June 30, 2015, the Charter School has no designations.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 - CASH

Cash at June 30, 2015, consisted of the following:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Deposits		
Cash on hand and in banks	<u>\$ 1,233,080</u>	<u>\$ 1,385,283</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Charter School maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Charter School has not experienced any losses in such accounts. At June 30, 2015, the Charter School had \$1,135,283 in excess of FDIC insured limits. Management believes the Charter School is not exposed to any significant risk related to cash.

NOTE 4 - RESTRICTED CASH

At June 30, 2015, cash held for restricted purposes consisted of the following:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Charter School Proposition 1D	<u>\$ 7,334,326</u>	<u>\$ 7,334,326</u>

Proposition 1D

During the fiscal year ended June 30, 2012, the Charter School was awarded \$7,543,549 in Charter School Facilities Program funding established by Proposition 1D. Restricted cash in the amount of \$7,334,326 represents the remaining balance of funds received and is limited in use to payment for site acquisition, design, and construction of a new facility. Cash held in a bank account is reported as restricted cash instead of cash and cash equivalents because the Charter School holds those funds for capital projects. The Charter School has not experienced any losses in such accounts. At June 30, 2015, the Charter School has \$7,084,326 in excess of FDIC insured limits. Management believes the Charter School is not exposed to any significant risk related to cash and is reviewing options to insure or secure these funds with the current financial institution.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015, consisted of the following:

Local Control Funding Formula	\$ 299,367
Federal receivable	186
State receivable	104,707
Local receivable	6,303
Total Accounts Receivable	<u>\$ 410,563</u>

NOTE 6 - PREPAID EXPENSES

Prepaid expenses at June 30, 2015, consisted of the following:

Prepaid rent, insurance, and miscellaneous vendors	<u>\$ 76,086</u>
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NOTE 7 - FIXED ASSETS

Fixed assets at June 30, 2015, consisted of the following:

Leasehold improvements	\$ 257,959
Furniture	4,907
Computer equipment	58,355
Subtotal	<u>321,221</u>
Less: accumulated depreciation	(163,015)
Total Fixed Assets	<u>\$ 158,206</u>

During the year ended June 30, 2015, \$3,387 was charged to depreciation expense.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

Salaries and benefits	\$ 26,444
Vendor payables	106,701
Due to grantor	18,451
Total Accounts Payable	<u>\$ 151,596</u>

NOTE 9 - DEFERRED REVENUE

Deferred revenue at June 30, 2015, consisted of the following:

Proposition 1D - Ocean Charter School	\$ 7,370,820
Local sources	5,001
Total Deferred Revenue	<u>\$ 7,375,821</u>

NOTE 10 - LONG-TERM OBLIGATIONS

Propositions 1D, passed by California voters in November 2002, established the Charter School Facility Program and provided for charter schools that provide site-based instruction to access State of California facility funding directly for the construction of new charter schools or additions to existing charter schools. Per Proposition 1D one-half of the approved project costs paid under the award are reimbursed in the form of a State grant (recorded as earned revenue and proposition expense on the Statement of Activities and Changes in Net Assets) and one-half of the approved project costs paid under the award are required to be remitted back to the State of California in the form of lease payments over a period not to exceed 30 years.

During the fiscal year ended June 30, 2012, the Charter School was awarded \$7,543,549 in Charter School Facilities Program funding established by Proposition 1D. The balance of \$86,364 in long-term obligations represents one-half of the costs incurred for the Charter School's approved Proposition 1D project. The site improvements made under the guidelines of the Proposition 1D award are being accounted for as capital leases because the term of the lease exceeds 75 percent of the economic life of the leased property. Current provisions allow the Charter School to be on the title "in trust" through the State of California and the District, "in trust" being in name only with no property rights attached.

At June 30, 2015, the project is incomplete. A payment schedule will not be provided until the project is complete.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 - OPERATING LEASE

The Charter School entered into a Prop 39 Co-Location Use Agreement with the District where the Charter School occupies one of the school sites of the District for its 4-8 campus location. The location is Westchester High School at 7400 W Manchester Ave, Los Angeles CA 90045. The lease expense for 2014-2015 was \$114,371.

During 2013-2014, the Charter School renewed a Non-Residential Lease Agreement with Marina Free Methodist Church dba Marina Christian Fellowship on July 1, 2013, where the Charter School would occupy the location for its K-3 campus at 12606 West Culver Blvd., Los Angeles, California 90066. Term of the lease is for 36 calendar months commencing on July 1, 2013. (The Charter School has occupied this location prior to 2013.) The lease expense for 2014-2015 was \$209,160.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of a 403(b) Tax Deferred Annuity Plan (TDA).

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 Charter School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Charter School has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Charter School contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. 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, 2014, total actuarial value of assets are \$158 billion, the actuarial obligation is \$231 billion, contributions from all employers totaled \$2.3 billion, and the plan is 68.5 percent funded. The Charter School did not contribute more than five percent of the total contributions to the plan.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Charter School contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the Charter School's total contributions were \$118,650.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

403(b) Tax Deferred Annuity Plan

The Charter School also contributes to a classified employee 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Charter School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$68,585 (5.679 percent of the Charter School's 2012-2013 creditable compensation subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 13 - PARTICIPATION IN JOINT POWERS AUTHORITY

The Charter School is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) DBA CharterSAFE for risk management services for workers' compensation insurance and charter school liability insurance. The relationship between the Charter School and the CharterSAFE is such that the CharterSAFE is not considered a component unit of the Charter School for financial reporting purposes.

The CharterSAFE has budgeting and financial reporting requirements independent of member units, and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between the CharterSAFE and the Charter School are included in these statements. Audited financial statements for the CharterSAFE were not available for fiscal year 2014-2015 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2015, the Charter School made payments of \$58,394 to CharterSAFE for services received. At June 30, 2015, the Charter School had no recorded accounts receivable or accounts payable to the CharterSAFE.

NOTE 14 - CONTINGENCIES

The Charter School 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 reimbursement, if required, would not be material.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Litigation

The Charter School has no outstanding claims or litigation.

NOTE 15 - SUBSEQUENT EVENTS

The Charter School's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through _____, 2015, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

SUPPLEMENTARY INFORMATION

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Ocean Charter School was granted on August 21, 2002, by the Los Angeles Unified School District. The Charter School operates one school at two locations. The Mar Vista campus serves students in grades kindergarten through three and the Westchester campus serves students in grades four through eight.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Joshua Dome	Chair	2016
Jason Haas	Vice Chair	2015
Wendy Teeter	Treasurer	2016
Jill Hayashi	Secretary	2015
Mark Galanty	Member	2017
Tim De Roche	Member	2016
Sue Ingles	Member	2017
November McIlhargey	Member	2016

ADMINISTRATION

Stephanie Edwards	Executive Director
Kristy Mack-Fett	Director

See accompanying note to supplementary information.

**SCHEDULE OF APPORTIONMENT DAYS OF ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	236	235
Fourth through sixth	153	153
Seventh and eighth	52	52
Total Regular ADA	<u>441</u>	<u>440</u>
Classroom based ADA		
Transitional kindergarten through third	234	233
Fourth through sixth	153	153
Seventh and eighth	52	52
Total Classroom Based ADA	<u>439</u>	<u>438</u>

The Charter School operated a short-term non-classroom based Independent Study program.

See accompanying note to supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87	Reduced	2014-15 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	34,971	36,780	180	N/A	Complied
Grades 1 - 3	50,400	48,960				
Grade 1			49,770	180	N/A	Complied
Grade 2			49,770	180	N/A	Complied
Grade 3			49,770	180	N/A	Complied
Grades 4 - 6	54,000	52,457				
Grade 4			54,700	180	N/A	Complied
Grade 5			54,700	180	N/A	Complied
Grade 6			54,700	180	N/A	Complied
Grades 7 - 8	54,000	52,547				
Grade 7			54,700	180	N/A	Complied
Grade 8			54,700	180	N/A	Complied

See accompanying note to supplementary information.

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

FUND BALANCE

Balance, June 30, 2015, Unaudited Actuals	\$ 1,598,239
Decrease in:	
Accounts payable	<u>241</u>
Balance, June 30, 2015, Audited Financial Statement	<u><u>\$ 1,598,480</u></u>

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the Charter School's operations, members of the governing board, and members of the administration.

Schedule of Apportionment Days of Attendance

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with provisions of *Education Code* Sections 46200 and 46206. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made through the Los Angeles County Office of Education to the Charter School.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of *Education Code* Sections 46200 through 46206, if applicable.

The Charter School must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITORS' REPORTS

**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***

Governing Board
Ocean Charter School
(A California Non-Profit Public Benefit Corporation)
Los Angeles, California

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 Ocean Charter School (the Charter School) (A California Non-Profit Public Benefit Corporation) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Ocean Charter School's basic financial statements, and have issued our report thereon dated _____, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ocean Charter School'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 Ocean Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Ocean Charter School'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 Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ocean Charter School'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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Rancho Cucamonga, California
_____, 2015

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Ocean Charter School
(A California Non-Profit Public Benefit Corporation)
Los Angeles, California

Report on State Compliance

We have audited Ocean Charter School's (the Charter School) (A California Non-Profit Public Benefit Corporation) compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2014-2015* that could have a direct and material effect on each of the Ocean Charter School's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Ocean Charter School's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2014-2015*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Ocean Charter School's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Ocean Charter School's compliance with those requirements.

Unmodified Opinion

In our opinion, Ocean Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

Other Matters

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Contemporaneous Records of Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	Yes
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	

We did not perform testing for Non Classroom-Based Instruction/Independent Study because ADA was below the threshold required for testing. Testing procedures for the other programs noted above are not applicable to charter schools; therefore, we did not perform any related procedures.

Rancho Cucamonga, California
 _____, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no audit findings reported in the prior year's schedule of financial statement findings.