



REACH Leadership STEAM Academy

science | technology | engineering | art | math

Board of Directors Special Meeting

Tuesday, December 7, 2015 - 7:00 PM

This meeting will be held at: 4850 Jurupa Ave., Riverside, CA 92504

Conference Call

Participant Access Code: 185543#

Conference Dial-in Number: (712) 432-1500

Subscriber PIN Code: 1069689#

1. Call to Order & Roll Call
2. Reports

Meeting is called to order at:

Member	Present	Absent
Carla Crow		
Trayci Nelson		
Jennifer Boren		
Beverly Saffold		
Frederica Bush		
Totals:		

Introduction of Guests:

- 1.
- 2.

3. Reports
 - a. Audit Report-Edtec

3. Action Items

a. Approval of REACH Audit Report for Fiscal Year Ended June 30, 2015:

It is recommended that the REACH Leadership STEAM Academy School Board approve the REACH Audit Report for Fiscal Year Ended June 30, 2015. REACH Leadership STEAM Academy ended the fiscal year with positive operating cash, had no weaknesses present in Internal Controls, and had no findings.

Motion: JB Second: CC Vote:

Member	Aye	Nay	Abstain	Absent
Carla Crow				
Trayci Nelson				
Jennifer Boren				
Beverly Saffold				
Frederica Bush				
Totals:				

4. Board Comments

5. Adjournment

Meeting is adjourned at:
Motion: Second:

Next board meeting date:

This legislative body conducts business under the meeting requirements of the Ralph M. Brown Act.

MEETING AGENDA & RELATED MATERIALS

Agendas for regular meetings as defined by the Brown Act will be posted at the meeting site and the legislative body's website, if applicable, 72 hours prior to the start of the meeting. Agendas for special meetings as defined by the Brown Act will be posted at the meeting site and the legislative body's website, if applicable, 24 hours before the start of the meeting. Materials relating to an agenda topic that is a matter of public record in open session, will be made available for public inspection 72 hours prior to the start of the meeting, or, alternatively, when the materials are distributed to at least the majority of the board members.

THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE

Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice.

REASONABLE LIMITATIONS MAY BE PLACED ON PUBLIC TESTIMONY

The Governing Board's presiding officer reserves the right to impose reasonable time limits on public testimony to ensure that the agenda is completed.

SPECIAL PRESENTATION MAY BE MADE

Notice is hereby given that, consistent with the requirements of the *Bagley-Keene Open Meeting Act*, special presentations not mentioned in the agenda may be made at this meeting. However, any such presentation will be for information only.

REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY

Pursuant to the *Rehabilitation Act of 1973* and the *Americans with Disabilities Act of 1990*, any individual with disability who requires reasonable accommodation to attend or participate in this meeting may request assistance by contacting REACH Leadership STEAM Academy at 4850 Jurupa Ave., Riverside, CA 92506; (951) 275-8850; (951) 275-8829 fax.

FOR MORE INFORMATION

For more information concerning this agenda or for materials relating to this meeting please contact REACH Leadership STEAM Academy at 4850 Jurupa Ave., Riverside, CA 92506; (951) 275-8850; (951) 275-8829 fax.

REACH 2014-15 Audit Recap

Audit is unqualified, with financial information confirming what was reported to School's board in the Unaudited Actuals



- Final 2014-15 Income Statement:
 - \$2.52M in Revenues, \$2.53M in Expenses
 - Operating Loss of \$10.5K
 - Ending Fund Balance of \$27.2K
- Adjustments from Unaudited Actuals:
 - Accounts Receivable understatement of \$18K
 - Accounts Payable understatement of \$3.3k
 - *Operating Income increase of \$14.7k from Unaudited Actuals*
- No weaknesses present in Internal Controls, Compliance and Other Matters
- No findings found

**REACH LEADERSHIP ACADEMY
INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015
CHARTER SCHOOL #1409**

DRAFT

REACH LEADERSHIP ACADEMY

INTRODUCTORY SECTION

JUNE 30, 2015

DRAFT

**REACH LEADERSHIP ACADEMY
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JUNE 30, 2015**

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REACH LEADERSHIP ACADEMY

FINANCIAL SECTION

JUNE 30, 2015

DRAFT

INDEPENDENT AUDITORS' REPORT

Board of Directors
REACH Leadership Academy
Riverside, California

We have audited the accompanying financial statements of REACH Leadership Academy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the fiscal 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 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 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.

INDEPENDENT AUDITORS' REPORT

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of REACH Leadership Academy as of June 30, 2015, and the changes in its net assets and its cash flows for the fiscal 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 as a whole. 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 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 30, 2015, on our consideration of REACH Leadership Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 REACH Leadership Academy's internal control over financial reporting and compliance.

San Diego, California

November 30, 2015

**REACH LEADERSHIP ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

ASSETS

Current assets:		
Cash (Note 3)	\$	186,034
Accounts receivable (Note 4)		387,191
Prepaid expenses		16,588
Total current assets		<u>589,813</u>
Fixed assets, net of depreciation (Note 5)		130,936
TOTAL ASSETS	\$	<u><u>720,749</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$	306,456
Accrued expenses		65,061
Short-term debt (Note 6)		195,987
Current portion of long-term debt (Note 7)		63,583
Total current liabilities		<u>631,087</u>
Long-term liabilities: (Note 7)		
Notes payable, net of current portion		62,500
Total liabilities		<u>693,587</u>
Net assets:		
Temporarily restricted (Note 8)		50,422
Unrestricted		(23,260)
Total net assets		<u>27,162</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>720,749</u></u>

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

**REACH LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Revenue limit sources:			
State apportionments	\$ 1,277,314	\$ -	\$ 1,277,314
Education protection account	422,855	-	422,855
In-lieu of property taxes	409,592	-	409,592
Federal revenues	60,660	-	60,660
State revenues	259,409	-	259,409
Local revenues:			
Fundraising	7,640	-	7,640
Donations	18,549	-	18,549
Miscellaneous	64,928	-	64,928
Total revenues	<u>2,520,947</u>	-	<u>2,520,947</u>
EXPENSES			
Program services:			
Education	2,130,282	-	2,130,282
Support services:			
Management and general	401,145	-	401,145
Total expenses	<u>2,531,427</u>	-	<u>2,531,427</u>
CHANGE IN NET ASSETS	(10,480)	-	(10,480)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(12,780)</u>	50,422	<u>37,642</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (23,260)</u>	<u>\$ 50,422</u>	<u>\$ 27,162</u>

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

**REACH LEADERSHIP ACADEMY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (10,480)
Adjustments to reconcile Change in Net Assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	(10,280)
Prepaid expenses	(16,453)
Increase (decrease) in operating liabilities:	
Accounts payable	213,195
Accrued expenses	19,359
Net cash flows provided by operating activities	195,341

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchase of fixed assets	(130,936)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Payment on long-term note payable	(62,500)
Payment on short-term note payable	(16,659)
Net cash flows provided by financing activities	69,459

NET INCREASE IN CASH

133,864

CASH, BEGINNING OF THE YEAR

52,170

CASH, END OF THE YEAR

\$ 186,034

SUPPLEMENTAL DISCLOSURES:

Cash paid for interest	\$ 472
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The accompanying notes are an integral part of these financial statements.

**REACH LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - ORGANIZATION AND MISSION

REACH Leadership Academy (Organization) was granted its charter in 2012 pursuant to the terms of the Charter School Act of 1992, as amended and is a direct funded site-based charter. This charter, among other matters, calls for the Riverside Unified School District and the Organization to enter into a mutually agreeable memorandum of understanding regarding the funding entitlements of the Organization, pursuant to the Education Codes Section 47612 and 47613.5, to define the operational and oversight arrangements between the Organization and the Riverside Unified School District, and to define and resolve other matters of mutual interest.

The Organization is a college preparatory elementary school which is dedicated to bridging the socioeconomic, racial, and digital divide for underserved youth. The Organization's dedicated and highly trained teaching staff is committed to preparing our students for success in college and equipping them to meet the demands of a global society. The Organization is committed to developing confident, articulate leaders who will use their life experiences and education to create positive changes in their own lives and within their communities and beyond.

The Organization serves students throughout the Riverside Unified School District and the surrounding areas that understand the value and the Organization's mission and are committed to its instructional and operational policy. The Organization's administrative and school site are located at 5320 Victoria Avenue, Riverside, California 92506.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Not-For-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets: Unrestricted net assets are available to support all activities of the Organization, and are not subject to donor-imposed stipulations. These generally result from revenues generated by providing services, receiving unrestricted contributions, and receiving interest from investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a donor 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 and are reported in the statement of activities as net assets released from restrictions. There was \$50,422 in temporarily restricted net assets as of June 30, 2015.

Permanently restricted net assets: Net assets that are subject to donor-imposed stipulations that the restrictions be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes. There were no permanently restricted assets as of June 30, 2015.

**REACH LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. 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 Organization 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.

C. Use of 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. Accordingly, actual results could differ from those estimates.

D. Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). It is, however, subject to income taxes from activities unrelated to its tax-exempt purpose. The Organization uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles (GAAP) provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

E. Cash

Cash from time to time is variously composed of cash on hand and in banks.

F. Fixed Assets

Fixed assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives. Repair and maintenance costs, which do not extend the useful lives of the asset, are charged to expense. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred.

G. Deferred Revenue

Deferred revenue represents sale of future revenue where the Organization cannot limit, in any significant way, the buyer's ability to subsequently sell or pledge the receivable and the Organization no longer has access to the receivable. In addition, the deferred revenue also consists of local revenue received, but not expended.

**REACH LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenue sources and recognition

The Organization receives federal, state and local revenues for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies.

The Organization primarily receives the funds from California Department of Education (CDE). Amounts received from the CDE are recognized by the Organization based on the average daily attendance (ADA) of students.

The Organization recognizes federal revenue to the extent that eligible expenditures have been incurred.

Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

I. Functional allocation of expenses

The costs of providing the program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and management's estimates of the usage of resources.

J. Going concern

At fiscal year end, the Organization had cash of \$186,034 and an unrestricted net assets deficiency of \$23,260. The Organization will not be able to continue operations and fund its expenditures without any additional financing, and there can be no assurance it will be able to do so in the future year. During the subsequent year, the Organization dramatically cut expenses, allowing the Organization to continue operations in the 2014-2015 fiscal year.

NOTE 3 - CASH

Cash in banks and on hand at June 30, 2015, consisted of the following:

Deposits:

Cash in banks	\$ 186,034
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Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2015, the Organization did not have any uninsured funds.

**REACH LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - ACCOUNTS RECEIVABLE

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

Revenue limit sources:	
State apportionments	\$ 218,083
In-lieu of property taxes	62,090
Federal revenues	429
State revenues	<u>106,589</u>
Total accounts receivable	<u><u>\$ 387,191</u></u>

NOTE 5 - FIXED ASSETS

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

Work in progress	<u>\$ 130,936</u>
Total Fixed Assets	<u><u>\$ 130,936</u></u>

During the fiscal year ended June 30, 2015, there was no depreciation expense.

NOTE 6 - SHORT-TERM DEBT

Short-term debt at June 30, 2015, consisted of the following:

	Balance 2014	Additions	Payments	Balance 2015	Due in One year
Charter Asset Management	<u>\$ 64,028</u>	<u>\$ 148,618</u>	<u>\$ (16,659)</u>	<u>\$ 195,987</u>	<u>\$ 195,987</u>
	<u>\$ 64,028</u>	<u>\$ 148,618</u>	<u>\$ (16,659)</u>	<u>\$ 195,987</u>	<u>\$ 195,987</u>

During the fiscal year ended June 30, 2015, the Organization sold receivables of \$195,987 in exchange for net proceeds of \$185,000. The difference reflects a discount factor of \$7,361 and program fees of \$3,626. The receivables sold to Charter Asset Management were for cash flow purposes. The balance at June 30, 2015, was \$195,987.

**REACH LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - LONG-TERM LIABILITIES

A. Long-Term Liabilities Activity

Long-term liabilities activity includes debt and other long-term liabilities. Changes in obligations for the fiscal year ended June 30, 2015, are as follows:

	Balance 2014	Additions	Payments	Balance 2015	Due in One year
Charter School Revolving Loan	\$ 187,500	\$ -	\$ (62,500)	\$ 125,000	\$ 62,500
Promissory note - the Church	1,083	-	-	1,083	1,083
Total	<u>\$ 188,583</u>	<u>\$ -</u>	<u>\$ (62,500)</u>	<u>\$ 126,083</u>	<u>\$ 63,583</u>

B. Charter School Revolving Loan

In April, 2013, the Organization took out a forty-eight (48) month Charter School Revolving Loan in the principal amount of \$250,000 with interest at 0.264%. Principal payments of \$62,500 plus interest will be deducted from August through January apportionments by the California Department of Education and the loan will mature on June 30, 2017.

Debt service requirements for this note payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 62,500	\$ 495	\$ 62,995
2017	62,500	330	62,830
	<u>\$ 125,000</u>	<u>\$ 825</u>	<u>\$ 125,825</u>

C. Promissory Note – The Bishop of the Protestant Episcopal Church

The Organization entered into an agreement with the Bishop of the Protestant Episcopal Church to reimburse for the costs of the issuance of a Conditional Use Permit to enable a property to be used as a charter school. Total reimbursement cost was \$25,900. At June 30, 2015, the outstanding balance was \$1,083.

**REACH LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of entitlements received but not expended as of June 30, 2015. At June 30, 2015, the Organization’s temporarily restricted net assets consisted of:

Proposition 39 - California Clean Energy Jobs Act	\$ 50,422
Total temporarily restricted net assets	\$ 50,422

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers’ Retirement System (STRS).

Plan Description and Funding Policy

STRS

Plan Description

The Organization contributes to the State Teachers’ Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2014, total plan assets are \$179.7 billion, the total actuarial present value of accumulated plan benefits is \$288.0 billion, contributions from all employers totaled \$2.2 billion, and the plan is 68.5% funded. The Organization did not contribute more than 5% of the total contributions to the plan. Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members are required to contribute 8.15% of their salary and the Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year 2014-2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by the state statute. The Organization’s contributions to STRS for the fiscal years ending June 30, 2015, 2014, and 2013, were \$76,597, \$50,527 and \$23,442, respectively, and equal 100% of the required contribution for the fiscal year.

**REACH LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - OPERATING LEASE

The Organization leases facilities under an annual lease arrangement and office equipment that expires in September 2016. Future minimum lease payments under the signed lease arrangement are as follows:

Year Ending June 30,	Lease Payments
<u>2016</u>	<u>\$ 8,786</u>
Total future lease payments	<u><u>\$ 8,786</u></u>

The Organization will receive no sublease rental revenues nor pay any contingent rentals associated with this lease. For the fiscal year ended June 30, 2015, operating lease expense was \$258,247.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

State Allowances, Awards, and Grants

The Organization has received state 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, management believes that any required reimbursement will not be material.

NOTE 12 - PARTICIPATION IN JOINT POWERS AUTHORITY

The Organization entered into a Joint Powers Agreement (JPA) known as the "California Charter Schools Joint Powers Authority (CCS-JPA)," a self insurance plan for workers' compensation, property/casualty, and school board liability insurance. The CCS-JPA is governed by a board consisting of a representative from each member organization. The board controls the operation of the CCS-JPA including selection of management and approval of operating budgets, independent of any influence by the member organizations beyond their representation on the board. Each member organization pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the CCS-JPA. The CCS-JPA is a separate entity which is audited by an independent accounting firm.

NOTE 13 - SUBSEQUENT EVENT

The Organization's management has evaluated events or transactions that may occur for potential recognition of disclosure in the financial statements from the balance sheet date November 30, 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.

REACH LEADERSHIP ACADEMY
SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2015

DRAFT

**REACH LEADERSHIP ACADEMY
ORGANIZATION
JUNE 30, 2015**

REACH Leadership Academy [Charter #1409], is a Grade K-4 Charter School and was granted its charter by the Riverside Unified School District in April, 2012, pursuant to the terms of the Charter School Act of 1992, as amended.

The Board of Directors for the fiscal year ended June 30, 2015, was comprised of the following members:

Name	Office	Term	Term Expiration
Carla Crow	President	3 years	June 2015
Deneen Carter	Vice President	3 years	June 2015
Trayci Nelson	Treasurer	3 years	June 2015
Jennifer Boren	Secretary	2 years	June 2016
Beverly Smith - Saffold	Member	2 years	June 2016
Christopher Rentie	Member	3 years	June 2015
Christopher Grigsby	Member	1 year	June 2015
Frederica Bush	Member	2 years	June 2015
Timothy Hardin	Member	1 year	June 2015

Administration

Name	Position
Dr. Virgie Rentie, Ed	Executive Director

**REACH LEADERSHIP ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Second Period Report		Annual	
	Classroom Based	Independent Study	Classroom Based	Independent Study
Transitional Kindergarten/ Kindergarten - Grade 3	280.86	0.44	281.55	0.61
Grade 4	29.10	0.01	28.81	0.01
Total	309.96	0.45	310.36	0.62

The Organization generates 99.79% of ADA from classroom-based and 0.21% of ADA from independent study program.

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**REACH LEADERSHIP ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Grade Level	1986-87 Minutes Requirements*	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	34,971	68,160	185	In Compliance
Grade 1	48,960	66,665	185	In Compliance
Grade 2	48,960	66,665	185	In Compliance
Grade 3	48,960	66,665	185	In Compliance
Grade 4	52,457	66,665	185	In Compliance

* As reduced pursuant to the provisions of Education Code Section 46201.2.

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**REACH LEADERSHIP ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Program Services	Support Services	Total
	Education	Management and General	
Certificated salaries	\$ 800,524	\$ 46,095	\$ 846,619
Classified salaries	371,649	-	371,649
Employee benefits	245,041	10,860	255,901
Books and supplies	196,904	16,680	213,584
Travel and conferences	17,183	-	17,183
Dues and memberships	11,330	-	11,330
Operation and housekeeping services	-	14,448	14,448
Rental, leases, repairs, and non-capitalized improvements	138,017	126,961	264,978
Direct Costs	-	12,773	12,773
Professional/consulting services and operating expenditures	339,032	170,678	509,710
Communications	10,602	2,650	13,252
Total expenses	<u>\$ 2,130,282</u>	<u>\$ 401,145</u>	<u>\$ 2,531,427</u>

**REACH LEADERSHIP ACADEMY
RECONCILIATION OF CHARTER SCHOOL UNAUDITED ACTUALS
FINANCIAL REPORT-- ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Charter School
June 30, 2015, Charter School Unaudited Actuals Financial Report -- Alternative Form, Ending Fund Balance	\$ 12,459
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts receivable understated	17,964
Accounts payable overstated	193,811
Short-term loans understated	(195,987)
Long-term debt understated	(1,083)
Rounding adjustments	(2)
Net adjustments and reclassifications	14,703
June 30, 2015, audited financial statement net assets	\$ 27,162

REACH LEADERSHIP ACADEMY
OTHER INDEPENDENT AUDITORS' REPORTS SECTION
JUNE 30, 2015

DRAFT

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

Board of Directors,
REACH Leadership Academy
Riverside, 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 REACH Leadership Academy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

INDEPENDENT AUDITORS' 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

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether REACH Leadership Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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.

San Diego, California
November 30, 2015

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
REACH Leadership Academy
Riverside, California

Report on Compliance for Each State Program

We have audited REACH Leadership Academy's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of REACH Leadership Academy's state programs for the fiscal year ended June 30, 2015. REACH Leadership Academy's state programs are identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of REACH Leadership 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 State's Audit Guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about REACH Leadership 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 for each state program. However, our audit does not provide a legal determination of REACH Leadership Academy's compliance. In connection with the audit referred to above, we selected transactions and records to determine the Organization's compliance with the state laws and regulations applicable to the following items:

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Page 2

<u>Description</u>	<u>Procedures Performed</u>
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes

The term "Not Applicable" is used above to mean either that REACH Leadership Academy did not offer the program during the current fiscal year, or that the program applies only to a different type of local education agency.

Opinion on State Programs

In our opinion, REACH Leadership Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state programs for the fiscal year ended June 30, 2015.

The purpose of this report on state compliance is solely to describe the scope of our testing of state compliance and the results of that testing based on the requirements of *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

San Diego, California
November 30, 2015

**REACH LEADERSHIP ACADEMY
FINDINGS AND RECOMMENDATIONS SECTION**

JUNE 30, 2015

DRAFT

**REACH LEADERSHIP ACADEMY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes N/A No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes N/A None Reported

Type of auditors' report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with section .510(a) or Circular A-133? Yes N/A No

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

The Organization did not have over \$500,000 in Federal Expenditures.

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? Yes N/A No

**REACH LEADERSHIP ACADEMY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A. Summary of Auditors' Results (Continued)

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that
are not considered to be material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance
for state programs: Unqualified

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

**REACH LEADERSHIP ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Findings/Recommendations	Current Status	Explanation If Not Implemented
N/A	N/A	N/A

DRAFT

November 30, 2015

Hosaka, Rotherham & Company
Certified Public Accountants
1011 Camino Del Rio South, Suite 410
San Diego, California 92108

This representation letter is provided in connection with your audit of the financial statements of REACH Leadership Academy (Organization), which comprise the statements of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 30, 2015, the following representations made to you during your audit.

Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 20, 2013, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

- 1) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 2) We acknowledge our responsibility for 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.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 4) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 5) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 6) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 7) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

- 9) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 19) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 21) The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 22) We acknowledge our responsibility for presenting the required supplementary information (RSI) in accordance with U.S. GAAP, and we believe the RSI, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the RSI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- 23) We acknowledge our responsibility for presenting the compliance requirements described in the 2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the Organization's state programs for the fiscal year ended June 30, 2015. We believe the compliance requirements, including its form and content, is properly presented.
- 24) No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signature: _____

Title: _____