

OLIN VIRTUAL ACADEMY

Operating:

Los Angeles County Online High School

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

OLIN VIRTUAL ACADEMY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Olin Virtual Academy
La Crescenta, CA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Olin Virtual Academy

Opinion

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

Other Matters

Supplementary Information

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

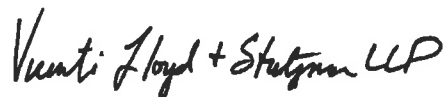
Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 4 to the financial statements, the financial position of Olin Virtual Academy's charter raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Board of Directors
Olin Virtual Academy

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2016 on our consideration of Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Academy's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 1, 2016

OLIN VIRTUAL ACADEMY

STATEMENT OF FINANCIAL POSITION IN LIQUIDATION

June 30, 2016

ASSETS

Cash and cash equivalents	\$ 492,739
Accounts receivable - federal and state	288,044
Prepaid expenses and other assets	64,537
Property, plant and equipment, net	<u>33,259</u>
Total assets	<u>\$ 878,579</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 3,216,732
Deferred revenue	<u>104,551</u>
Total liabilities	<u>3,321,283</u>
Unrestricted net assets	<u>(2,442,704)</u>
Total net assets in liquidation	<u>(2,442,704)</u>
Total liabilities and net assets	<u>\$ 878,579</u>

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

OLIN VIRTUAL ACADEMY

STATEMENT OF ACTIVITIES IN LIQUIDATION
For the Year Ended June 30, 2016

REVENUES:

State revenue:	
State aid	\$ 2,151,086
Other state revenue	244,527
Local revenue:	
In-lieu property tax revenue	277,395
Other revenue	804
Total revenues	<u>2,673,812</u>

EXPENSES:

Program services	2,439,998
Management and general	<u>939,033</u>
Total expenses	<u>3,379,031</u>
Change in unrestricted net assets	(705,219)
Beginning unrestricted net assets	(1,548,646)
Adjustment for restatement (see note 7)	<u>(188,839)</u>
Restated beginning unrestricted net assets	<u>(1,737,485)</u>
Ending unrestricted net assets	<u>\$ (2,442,704)</u>

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

OLIN VIRTUAL ACADEMY

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

CASH FLOWS from OPERATING ACTIVITIES:

Change in net assets	\$ (705,219)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	1,232
Change in operating assets:	
Accounts receivable - federal and state	(65,287)
Prepaid expenses and other assets	(13,645)
Change in operating liabilities:	
Accounts payable and accrued liabilities	(1,308,062)
Deferred revenue	51,256
Net cash flows from operating activities	<u>(2,039,725)</u>

CASH FLOWS from INVESTING ACTIVITIES:

Purchases of property, plant and equipment	<u>(34,491)</u>
Net cash flows from investing activities	<u>(34,491)</u>
Net change in cash and cash equivalents	(2,074,216)
Cash and cash equivalents at the beginning of the year	<u>2,566,955</u>
Cash and cash equivalents at the end of the year	<u>\$ 492,739</u>

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

OLIN VIRTUAL ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 1,379,980	\$ 375,382	\$ 1,755,362
Other employee benefits	158,575	43,121	201,696
Payroll taxes	124,388	33,824	158,212
Management fees	-	92,940	92,940
Legal expenses	-	192,402	192,402
Accounting expenses	-	18,928	18,928
Instructional materials	254,222	-	254,222
Other fees for services	191,669	6,845	198,514
Advertising and promotion expenses	-	81,347	81,347
Office expenses	-	58,277	58,277
Printing and postage expenses	17,387	-	17,387
Information technology expenses	57,509	-	57,509
Occupancy expenses	158,124	-	158,124
Travel expenses	49,594	-	49,594
Conference and meeting expenses	6,983	-	6,983
Depreciation expense	1,232	-	1,232
Insurance expense	-	35,967	35,967
Other expenses	40,335	-	40,335
	<u>\$ 2,439,998</u>	<u>\$ 939,033</u>	<u>\$ 3,379,031</u>

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

OLIN VIRTUAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Olin Virtual Academy is a non-profit, California public benefit corporation operating the Los Angeles County Online High School (the School). The School is funded principally through State of California public education monies received through the California Department of Education and the Antelope Valley Union High School District (the District).

The District granted the charter which expires June 2017.

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

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

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

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

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

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

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

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

OLIN VIRTUAL ACADEMY

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The School capitalizes all expenditures for land, buildings and equipment in excess of \$5,000.

Compensated Absences – Academy does not allow employees to carryover unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2016.

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

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

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

Evaluation of Subsequent Events – Academy has evaluated subsequent events through December 1, 2016, the date these financial statements were available to be issued.

OLIN VIRTUAL ACADEMY

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

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time

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

Schedule of Average Daily Attendance

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

Reconciliation of Annual Financial Report with Audited Financial Statements

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



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

Board of Directors
Olin Virtual Academy
La Crescenta, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Olin Virtual Academy (Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated January 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

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

Purpose of this Report

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

Vicenti, Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 1, 2016



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
Olin Virtual Academy
La Crescenta, CA

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

Management’s Responsibility

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

Auditor’s Responsibility

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

Compliance Requirements Tested

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

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Opinion on State Compliance

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

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 1, 2016

OLIN VIRTUAL ACADEMY

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

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINANCIAL STATEMENT FINDINGS

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2016.

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2016.

OLIN VIRTUAL ACADEMY

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

2015-001 Unduplicated Local Control Funding Formula Pupil Counts 40000

Criteria: Education code section 42238.02 (b)(2) requires a charter school to accurately submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS).

Condition: During testing, it was brought to our attention that the 1.18 FRPM/English Learner/Foster Youth-Student List included students that were not eligible for free or reduced program.

Effect: The Academy is not in compliance with Education code section 42238.02 (b)(2). The 1.17 and 1.18 reports contained errors as follows:

**Olin Virtual Academy
Adjustment to CALPADS Data - June 30, 2015**

<u>Original</u>		<u>Updated</u>		<u>Net Change</u>		<u>LCFF Entitlement</u>		
<u>Enrollment</u>	<u>Unduplicated</u>	<u>Enrollment</u>	<u>Unduplicated</u>	<u>Enrollment</u>	<u>Unduplicated</u>	<u>Original</u>	<u>Revised</u>	
<u>Count</u>	<u>Pupil Count</u>	<u>Count</u>	<u>Pupil Count</u>	<u>Count</u>	<u>Pupil Count</u>	<u>Entitlement</u>	<u>Entitlement</u>	<u>Adjustment</u>
304	175	304	160	0	-15	\$ 1,486,403	\$ 1,483,983	\$ 2,420

Cause: The Academy does not have a review process in place.

Questioned Costs: The schedule above includes the Academy’s certified total unduplicated pupil count and enrollment count as originally reported in the California Longitudinal Pupil Achievement Data System (CalPADS), shows an increase to the unduplicated pupil counts based on any audit adjustments.

Recommendation: We recommend that the Academy employ a standardized monitoring process to ensure that reporting errors are minimized and corrections made on a timely basis.

Managements Response: The Academy has reviewed the finding as presented by the auditor and is instituting the following policy and procedures to eliminate or greatly reduce the likelihood of any repeat of this finding.

Status: Implemented.