

NEW ACADEMY

Operating:

**NEW Academy of Science and Art
NEW Academy of Canoga Park**

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

NEW ACADEMY

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June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
NEW Academy
Los Angeles, CA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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
NEW Academy

Opinion

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Academy's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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



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

NEW ACADEMY

STATEMENT OF FINANCIAL POSITION
June 30, 2016

	<u>NASA</u>	<u>Canoga Park</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 221,571	\$ 1,415,619	\$ -	\$ 1,637,190
Accounts receivable - federal and state	554,517	645,332		1,199,849
Marketable securities		2,134,509		2,134,509
Due from NASA - current portion		112,449	(112,449)	-
Due from others	145,976	13		145,989
Prepaid expenses and other assets	55,512	17,831		73,343
Total current assets	<u>977,576</u>	<u>4,325,753</u>	<u>(112,449)</u>	<u>5,190,880</u>
LONG-TERM ASSETS:				
Due from NASA		337,348	(337,348)	-
Deposits	41,235	759		41,235
Property, plant and equipment, net	613,902	258,899		872,801
Total long-term assets	<u>655,137</u>	<u>597,006</u>	<u>(337,348)</u>	<u>914,795</u>
Total assets	<u>\$ 1,632,713</u>	<u>\$ 4,922,759</u>	<u>\$ (449,797)</u>	<u>\$ 6,105,675</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 147,607	192,060	\$ -	\$ 339,667
Due to other agencies		6,470		6,470
Due to Canoga Park - current portion	112,449		(112,449)	-
Total current liabilities	<u>260,056</u>	<u>198,530</u>	<u>(112,449)</u>	<u>346,137</u>
LONG-TERM LIABILITIES:				
Due to Canoga Park - long-term portion	337,348	-	(337,348)	-
Total long-term liabilities	<u>337,348</u>	<u>-</u>	<u>(337,348)</u>	<u>-</u>
NET ASSETS:				
Unrestricted	1,015,121	4,699,224		5,714,345
Temporarily restricted	20,188	25,005	-	45,193
Total net assets	<u>1,035,309</u>	<u>4,724,229</u>	<u>-</u>	<u>5,759,538</u>
Total liabilities and net assets	<u>\$ 1,632,713</u>	<u>\$ 4,922,759</u>	<u>\$ (449,797)</u>	<u>\$ 6,105,675</u>

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

NEW ACADEMY

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

	<u>NASA</u>	<u>Canoga Park</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED				
REVENUES:				
State revenue:				
State aid	\$ 2,431,762	\$ 3,420,603	\$ -	\$ 5,852,365
Other state revenue	860,812	760,705		1,621,517
Federal revenue:				
Grants and entitlements	429,071	653,164		1,082,235
Local revenue:				
In-lieu property tax revenue	650,717	918,901		1,569,618
Contributions	4,154	10,028		14,182
Investment income		173,220		173,220
Other revenue	102,122	141,512	(67,201)	176,433
Total unrestricted revenues	<u>4,478,638</u>	<u>6,078,133</u>	<u>(67,201)</u>	<u>10,489,570</u>
EXPENSES:				
Program services	3,507,482	4,670,909	(67,201)	8,111,190
Management and general	502,086	699,305		1,201,391
Fundraising	8,802	136		8,938
Total expenses	<u>4,018,370</u>	<u>5,370,350</u>	<u>(67,201)</u>	<u>9,321,519</u>
Change in unrestricted net assets	<u>460,268</u>	<u>707,783</u>	<u>-</u>	<u>1,168,051</u>
TEMPORARILY RESTRICTED				
Other state revenue	20,188	25,005	-	45,193
Change in temporarily restricted net assets	<u>20,188</u>	<u>25,005</u>	<u>-</u>	<u>45,193</u>
Total change in net assets	480,456	732,788	-	1,213,244
Beginning net assets	554,853	3,991,441	-	4,546,294
Ending net assets	<u>\$ 1,035,309</u>	<u>\$ 4,724,229</u>	<u>\$ -</u>	<u>\$ 5,759,538</u>

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

NEW ACADEMY

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

	NASA	Canoga Park	Totals
CASH FLOWS from OPERATING ACTIVITIES:			
Change in net assets	\$ 480,456	\$ 732,788	\$ 1,213,244
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Depreciation	24,393	47,011	71,404
Unrealized gain on investments		(139,246)	(139,246)
Change in operating assets:			
Accounts receivable - federal and state	(40,623)	(58,980)	(99,603)
Due from others	113,995	8	113,995
Accounts receivable - other	-145,976		(145,976)
Deposits	(18,641)	(759)	(19,400)
Prepaid expenses and other assets	(23,445)	39,847	16,402
Due to/from Canoga Park/NASA	(71,988)	71,988	-
Change in operating liabilities:			
Accounts payable and accrued liabilities	34,671	(68,690)	(34,019)
Due to others		2,459	2,459
Net cash flows from operating activities	352,842	626,426	979,260
CASH FLOWS from INVESTING ACTIVITIES:			
Purchases of marketable securities		(33,544)	(33,544)
Proceeds from sale of marketable securities		31,116	31,116
Purchases of property, plant and equipment	(537,885)	(124,275)	(662,160)
Net cash flows from investing activities	(537,885)	(126,703)	(664,588)
Net change in cash and cash equivalents	(185,043)	499,723	314,680
Cash and cash equivalents at the beginning of the year	406,614	915,896	1,322,510
Cash and cash equivalents at the end of the year	\$ 221,571	\$ 1,415,619	\$ 1,637,190

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

NEW ACADEMY

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

	Program Services	Management and General	Fundraising	Eliminations	Total Expenses
Salaries and wages	\$ 3,703,767	\$ 560,789	\$ -	\$ -	\$ 4,264,556
Pension expense	391,114	59,219			450,333
Other employee benefits	608,706	92,165			700,871
Payroll taxes	128,557	19,465			148,022
Regulatory and support fees	323,669	49,007			372,676
Legal expenses		38,524			38,524
Accounting expenses		154,294			154,294
Other fees for services	1,000,056	91,313			1,091,369
Advertising and promotion expenses		1,311			1,311
Office expenses	330,937	50,106		(67,201)	313,842
Occupancy expenses	412,047				412,047
Travel expenses	43,670	6,612			50,282
Facilities operations and housekeeping		60,106			60,106
Depreciation expense	71,404				71,404
Insurance expense	74,597				74,597
Other expenses	113,113	18,480	8,938		140,531
Instructional materials	976,753				976,753
	<u>\$ 8,178,391</u>	<u>\$ 1,201,391</u>	<u>\$ 8,938</u>	<u>\$ (67,201)</u>	<u>\$ 9,321,519</u>

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

NEW ACADEMY

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – The Academy is a not-for-profit public benefit corporation under the laws of the State of California for the purpose of managing and operating public charter schools located in Los Angeles. The Academy is economically dependent on state and federal funding.

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

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

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

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

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

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

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

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the Academy.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The Academy had temporarily restricted net assets of \$45,193 at June 30, 2016 related to unspent Educator Effectiveness Funding.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the Academy. The Academy does not currently have any permanently restricted net assets.

NEW ACADEMY

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Contributed Assets and Services – Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

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

Investments – Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities if they are material.

The Academy’s investment return for the year ended June 30, 2016 was as follows:

Unrealized gains	\$ 139,246
Interest and dividends	<u>33,974</u>
Total investment return	<u>\$ 173,220</u>

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

NEW ACADEMY

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

Allocations Between Charter Schools – For the year ended June 30, 2016, the Academy has chosen to identify each charter school separately within the basic financial statements. In cases where specific identification of each charter's activities was not possible, items were allocated according to Average Daily Attendance (ADA).

Evaluation of Subsequent Events – The Academy has evaluated subsequent events through November 1, 2016, the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

NOTE 2: CONCENTRATION OF CREDIT RISK

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

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Academy capitalizes all expenditures for land, buildings and equipment in excess of \$5,000. Depreciation expense was \$71,404 for the year ended June 30, 2016.

NEW ACADEMY

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

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

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

Building and improvements	\$ 256,674
Equipment	375,736
Work in process	532,465
Less: accumulated depreciation	<u>(292,074)</u>
Net property, plant and equipment	<u>\$ 872,801</u>

NOTE 4: AMOUNTS DUE TO/FROM AFFILIATES

During the fiscal years 2010/11 and 2011/12, NASA obtained loans from Canoga Park, totaling \$615,000. The balance on these loans as of June 30, 2016 was \$449,797. NASA expects to repay Canoga Park within four years. These amounts have been eliminated in the accompanying Statement of Financial Position.

NOTE 5: FAIR VALUE MEASUREMENTS

Financial accounting standards establish a framework for measuring fair values. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. For each level of the hierarchy, the fair value level measurement is classified as follows:

- Level 1 – Quoted prices in an active market for identical assets.
- Level 2 – Quoted prices for similar assets and market – corroborated inputs
- Level 3 – Quoted price not readily available. Fair value based on best information available.

The Academy's investments are in mutual funds, characterized as marketable securities, which are recorded at fair value at quoted prices in active markets for identical assets (level 1 fair value measurement). As of June 30, 2016, the Academy had no level 2 or level 3 investments.

NOTE 6: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plans

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

NEW ACADEMY

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

NOTE 6: EMPLOYEE RETIREMENT

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

State Teachers' Retirement System (STRS)

Plan Description

The Academy contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2015, total STRS plan net assets are \$181 billion, the total actuarial present value of accumulated plan benefits is \$242 billion, contributions from all employers totaled \$2.55 billion, and the plan is 68.5% funded. The Academy did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

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

NEW ACADEMY

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

NOTE 6: EMPLOYEE RETIREMENT

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

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2014	\$ 200,818	100%
2015	\$ 227,990	100%
2016	\$ 313,149	100%

Public Employees' Retirement System (PERS)

Plan Description

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

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and www.calpers.ca.gov.

Funding Policy

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

NEW ACADEMY

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

NOTE 6: EMPLOYEE RETIREMENT

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

Year Ended <u>June 30,</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2014	\$ 86,910	100%
2015	\$ 110,173	100%
2016	\$ 137,184	100%

Defined Contribution Plan

The Academy offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. The plan allows participants to make contributions as permitted by Internal Revenue Service limitations. Contributions vest immediately. There is no matching provision under the Plan.

NOTE 7: OPERATING LEASES

The Academy has various operating leases for NASA school site. Lease expense under these agreements for the year ended June 30, 2016 was \$412,046.

Future minimum lease payments are as follows:

Year Ended <u>June 30,</u>	
2017	447,391
2018	447,391
2019	447,391
2020	<u>100,453</u>
	<u>\$ 1,442,626</u>

NOTE 8: CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

NEW ACADEMY

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

NEW Academy (the Academy) operates two schools: NEW Academy of Canoga Park (Canoga Park) and NEW Academy of Science and Arts (NASA). Both schools are included as the NEW Academy reporting entity.

Both charters were approved in 2003 by the Los Angeles Unified School District (the District), pursuant to the terms of the Charter Schools Act of 1992 as amended.

The District has granted Canoga Park school a charter through June 30, 2018, and NASA a school charter through June 30, 2018. The charters may be revoked by the District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

NASA's charter number is 521. Canoga Park's charter number is 592.

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

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>3 Year Term Expires</u>
Maggie Cervantes	President	June 2016
Ed Moreno	Vice President	June 2016
Brent Bradley	Treasurer	June 2016
Russell Jensen	Member	June 2016
Dr. Ron Solorzano	Member	June 2016
Bea Stotzer	Member	June 2016

ADMINISTRATORS

Dr. Marta Sanchez	Executive Director
Eric A. Todd, Ed.D.	Principal – NASA
Patricia Gould	Principal – Canoga Park

NEW ACADEMY

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

	Instructional Minutes		Days	Status
	Requirement	Actual		
NASA:				
Kindergarten	36,000	64,820	177	In compliance
Grade 1	50,400	60,560	177	In compliance
Grade 2	50,400	60,560	177	In compliance
Grade 3	50,400	60,560	177	In compliance
Grade 4	54,000	60,560	177	In compliance
Grade 5	54,000	60,560	177	In compliance
Canoga Park:				
Kindergarten	36,000	60,645	177	In compliance
Grade 1	50,400	58,085	177	In compliance
Grade 2	50,400	60,740	177	In compliance
Grade 3	50,400	60,740	177	In compliance
Grade 4	54,000	60,740	177	In compliance
Grade 5	54,000	60,740	177	In compliance

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

NEW ACADEMY

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

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom</u>		<u>Classroom</u>	
	<u>Based</u>	<u>Total</u>	<u>Based</u>	<u>Total</u>
NASA:				
TK/K-3	245.30	245.30	244.95	244.95
Grades 4-6	91.58	91.58	91.27	91.27
ADA Totals	<u>336.88</u>	<u>336.88</u>	<u>336.22</u>	<u>336.22</u>
Canoga Park:				
TK/K-3	330.46	330.46	330.18	330.18
Grades 4-6	145.26	145.26	144.69	144.69
ADA Totals	<u>475.72</u>	<u>475.72</u>	<u>474.87</u>	<u>474.87</u>

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

NEW ACADEMY

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

	<u>NASA</u>	<u>Canoga Park</u>	<u>Totals</u>
June 30, 2016 Annual Financial Report Fund Balances (Net Assets)	\$ 1,048,470	\$ 4,724,229	\$ 5,772,699
Adjustments and Reclassifications:			
Increasing (Decreasing) the Fund Balance (Net Assets):			
Prepaid expenses and other assets	(22,447)		(22,447)
Property, plant and equipment, net	(1)		(1)
Accounts payable and accrued liabilities	9,287		9,287
Net Adjustments and Reclassifications	(13,161)	-	(13,161)
June 30, 2016 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 1,035,309</u>	<u>\$ 4,724,229</u>	<u>\$ 5,759,538</u>

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

NEW ACADEMY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program or cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>NASA</u>	<u>Canoga Park</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Education:</i>					
Pass Through Program From California Department of Education:					
No Child Left Behind Act					
Title I, Part A, Basic Grants					
Low-Income and Neglected	84.010	14329	\$ 127,077	\$ 190,518	\$ 317,595
Title II, Part A, Teacher Quality	84.367	14341	1,898	2,651	4,549
Title III, Limited English Proficiency	84.365	14346	24,135	27,451	51,586
Special Ed: IDEA Basic Local Assistance	84.027	13379	63,994	90,368	154,362
<i>Total U.S Department of Education</i>			<u>217,104</u>	<u>310,988</u>	<u>528,092</u>
<i>U.S. Department of Agriculture:</i>					
Pass Through Program From California Department of Education:					
Child Nutrition Cluster					
School Breakfast Program Especially Needy	10.553	13526	63,436	88,217	151,653
National School Lunch Program	10.555	13396	148,531	229,349	377,880
Special Supplemental Nutrition Program	10.557	N/A		24,610	24,610
<i>Total U.S Department of Agriculture</i>			<u>211,967</u>	<u>342,176</u>	<u>554,143</u>
Total Federal Expenditures			<u>\$ 429,071</u>	<u>\$ 653,164</u>	<u>\$ 1,082,235</u>

N/A - Pass-through entity number not readily available or not applicable.

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

NEW 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 corresponding 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.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Academy under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented on an accrual basis in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Academy.

Indirect Cost Rate

The Academy has elected to use a rate other than the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**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
NEW Academy
Los Angeles, 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 NEW Academy (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 1, 2016.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Directors
NEW Academy
Los Angeles, CA

Report on Compliance for Each Major Federal Program

We have audited the compliance of NEW Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 major federal program 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 compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 major federal programs for the year ended June 30, 2016.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
NEW Academy
Los Angeles, CA

We have audited NEW 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	Yes
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	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

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
 November 1, 2016

NEW ACADEMY

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program Especially Needy
10.555	National Lunch Program
10.557	Special Supplemental Nutrition Program

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

\$750,000

Auditee qualified as low-risk auditee?

X Yes _____ No

NEW 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 AND FEDERAL FINDINGS:

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

NEW ACADEMY

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

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