



Certified Public Accountants, LLP

OPTIMIST BOYS' HOME AND RANCH, INC.

Operating:

OPTIMIST CHARTER

FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Optimist Boys' Home and Ranch, Inc.
Optimist Charter

Report on the Financial Statements

We have audited the accompanying financial statements of Optimist Boys' Home and Ranch, Inc.'s charter school, Optimist Charter, which comprise the Statement of Financial Position as of June 30, 2017, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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. 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 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.

Opinion

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

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary and additional information presented on pages 8-15 are presented for purposes of additional analysis and are 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 in conformity with the “2016-2017 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting” 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.

Harrington Group

Pasadena, California

December 7, 2017

OPTIMIST BOYS' HOME AND RANCH, INC.

OPTIMIST CHARTER
STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

| | | |
|-------------------------------|----|---------------|
| Cash | \$ | 112,114 |
| Accounts receivable | | 165,754 |
| Computers and equipment (net) | | <u>42,042</u> |

TOTAL ASSETS \$ 319,910

LIABILITIES AND NET ASSETS

LIABILITIES

| | | |
|-------------------|----|----------------|
| Accounts payable | \$ | 13,414 |
| Salaries payable | | 48,982 |
| Vacation payable | | 33,278 |
| 401k payable | | 7,171 |
| Due to operations | | <u>104,500</u> |

TOTAL LIABILITIES 207,345

NET ASSETS

| | | |
|--------------|--|----------------|
| Unrestricted | | <u>112,565</u> |
|--------------|--|----------------|

TOTAL NET ASSETS 112,565

TOTAL LIABILITIES AND NET ASSETS \$ 319,910

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

OPTIMIST BOYS' HOME AND RANCH, INC.

OPTIMIST CHARTER
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

REVENUE

| | |
|--|------------------|
| Local control funding formula sources (Note 3) | \$ 1,305,583 |
| Federal revenue | 97,929 |
| Other state revenue | 185,049 |
| Other local revenue | 378,630 |
| Other income | <u>1,536</u> |
| TOTAL REVENUE | <u>1,968,727</u> |

EXPENSES

| | |
|--|------------------|
| Certificated salaries | 945,483 |
| Classified salaries | 164,603 |
| Employee benefits | 205,245 |
| Books and supplies | 79,337 |
| Services and other operating expenses | 260,032 |
| Depreciation | 7,266 |
| Use allowance | 27,215 |
| Other outgoing (excluding transfers of indirect costs) | 13,113 |
| Other outgoing - transfer of indirect costs | <u>250,942</u> |
| TOTAL EXPENSES | <u>1,953,236</u> |

CHANGE IN NET ASSETS 15,491

NET ASSETS, BEGINNING OF YEAR 97,074

NET ASSETS, END OF YEAR \$ 112,565

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

OPTIMIST BOYS' HOME AND RANCH, INC.

OPTIMIST CHARTER
STATEMENT OF CASH FLOWS
For the year ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|--|----|----------|
| Change in net assets | \$ | 15,491 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | | 7,266 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | | 135,354 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | | 336 |
| Salaries payable | | 21,445 |
| Vacation payable | | 2,808 |
| 401k payable | | (26,383) |
| Due to operations | | (57,927) |

NET CASH PROVIDED BY OPERATING ACTIVITIES

98,390

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|-----------------------|--|-----------------|
| Purchase of equipment | | <u>(39,671)</u> |
|-----------------------|--|-----------------|

NET CASH (USED) BY INVESTING ACTIVITIES

(39,671)

INCREASE IN CASH

58,719

CASH, BEGINNING OF YEAR

53,395

CASH, END OF YEAR

\$ 112,114

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

OPTIMIST BOYS' HOME AND RANCH, INC.

OPTIMIST CHARTER

NOTES TO FINANCIAL STATEMENTS

1. General Information

These financial statements present only the activity for Optimist Boys' Home and Ranch, Inc.'s charter school, Optimist Charter. For additional information regarding Optimist Boys' Home and Ranch, Inc. as a whole, please refer to the audited financial statements of the agency. Optimist Charter receives private, federal, state, and local funding. Optimist Boys' Home and Ranch, Inc. operates Optimist Charter pursuant to Education Code Section 47605 and Optimist Charter is accredited by Western Association of Schools and Colleges ("WASC").

2. Summary of Significant Accounting Policies

Basis of Accounting

Optimist Charter maintains its records on the accrual basis of accounting.

Accounts Receivable

Optimist Charter receivables are primarily from earned government and contract fees which are expected to be received in full. As such, no allowance for doubtful receivables is recorded.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Concentration of Credit Risk

Optimist Charter places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Optimist Charter has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2017, consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Optimist Charter's receivables consist of earned fees from contract programs granted by governmental agencies.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Optimist Charter are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

OPTIMIST BOYS' HOME AND RANCH, INC.
OPTIMIST CHARTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. Optimist Charter reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. Optimist Charter has no temporarily restricted net assets as of June 30, 2017.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Optimist Charter to expend all of the income (or other economic benefits) derived from the donated assets. Optimist Charter had no permanently restricted net assets at June 30, 2017.

Allocation of Expenses

During the period, 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. Optimist Charter uses relative salary costs to allocate indirect costs.

Subsequent Events

Management has evaluated subsequent events related to Optimist Charter through December 7, 2017, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Local Control Funding Formula Sources

Local Control Funding Formula ("LCFF") sources for the year ended June 30, 2017 consist of the following:

| | |
|--|--------------------|
| State aid – current period and adjustment for prior year | \$1,034,019 |
| Education protection account state aid | 23,386 |
| Property taxes | <u>248,178</u> |
| | <u>\$1,305,583</u> |

OPTIMIST BOYS' HOME AND RANCH, INC.
OPTIMIST CHARTER

NOTES TO FINANCIAL STATEMENTS

4. Reconciliation of Audited Financial Statements to the Unaudited Actuals Schedule of Capital Assets

The following is a reconciliation of the capital asset purchases and current year depreciation per the Unaudited Actuals Schedule of Capital Assets to the amounts reflected in the audited financial statements for the year ended June 30, 2017.

| | |
|--|-------------------|
| 2017 Actual fixed asset additions per audited financial statements | \$39,671 |
| Adjustments needed to correct gross assets previously reported to LACOE | <u>(17,196)</u> |
| 2017 fixed assets additions per Unaudited Actuals Schedule of Capital Assets | <u>\$22,475</u> |
| | |
| 2017 Actual depreciation per audited financial statements | \$ 7,266 |
| Adjustments needed to correct cumulative depreciation previously reported to LACOE | <u>(17,196)</u> |
| 2017 depreciation per Unaudited Actuals Schedule of Capital Assets | <u>\$ (9,930)</u> |

The adjustments made to correct gross fixed assets and accumulated depreciation offset each other. As such, the net book value per the audited financial statements and the Unaudited Actuals Schedule of Capital Assets were appropriately stated as of June 30, 2017.

**OPTIMIST BOYS' HOME AND RANCH, INC.
OPTIMIST CHARTER**

ORGANIZATION INFORMATION

Agency Name: Optimist Charter

Charter Number: 1506

Charter Authority: Los Angeles County Office of Education (“LACOE”)

Charter Granted: September 24, 2013

Type of Agency: A Not-for-Profit Corporation

Agency Address: 6957 N. Figueroa St.
Los Angeles, California 90042

Agency Telephone Number: (323) 443-3127

Charter School Address: Alan Eskot, Superintendent (ext. 3114)
Lynn de Young, Principal (ext. 3120)
6957 N. Figueroa St.
Los Angeles, California 90042

Charter School Telephone Number: (323) 443-3120

Officers: Sil Orlando – Executive Director
Doug Buttrick – Chief Financial Officer

Governing Board Members:

| <u>Agency Board:</u> | <u>Name</u> | <u>Term</u> |
|----------------------|---------------------------------|---------------|
| | Dolores Gadbury, President | 07/13 – 06/17 |
| | Malak Kazan, Vice President | 07/13 – 06/17 |
| | Dennis Andolsek, Vice President | 07/13 – 06/17 |
| | Leslie King, Vice President | 07/15 – 06/17 |
| | Linda McWeeney, Secretary | 07/13 – 06/17 |
| | Leland Lau, Treasurer | 07/13 – 06/17 |
| | Larry Brown | 07/13 – 06/17 |
| | Sumako Cohrs | 07/15 – 06/17 |
| | Pamela Duben | 07/13 – 06/17 |
| | Steven Duben | 07/14 – 06/17 |
| | Jack Evans | 07/13 – 06/17 |
| | Cathy McCutcheon | 07/13 – 06/17 |
| | Jim McDonnell | 07/13 – 06/17 |
| | Terry McWeeney | 07/15 – 06/17 |
| | Jeff Morris | 07/13 – 06/17 |
| | Linnie Murphy | 07/13 – 06/17 |

**OPTIMIST BOYS' HOME AND RANCH, INC.
OPTIMIST CHARTER**

ORGANIZATION INFORMATION

Governing Board Members:

Agency Board, continued

| | |
|--------------------|---------------|
| Richard Niederberg | 07/13 – 06/17 |
| Bill Snyder | 07/13 – 06/17 |
| Ron Villachica | 07/13 – 06/17 |
| Lenna Welling | 07/13 – 06/17 |

Operating Period:

July 1, 2016 through June 30, 2017

School Year:

August 22, 2016 through June 23, 2017

Operating Time:

Monday through Friday, except holidays:
School Hours; 7:45 a.m. – 2:24 p.m.

OPTIMIST BOYS' HOME AND RANCH, INC.

OPTIMIST CHARTER
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the year ended June 30, 2017

| | Second Period Report | Annual Report |
|--|-------------------------------------|--------------------------|
| Grades 7 through 8 | 7.88 | 8.71 |
| Grades 9 through 12 | 109.05 | 110.13 |
| Totals | 116.93 | 118.84 |
| Average daily attendance totals as reported | 116.93 | 118.84 |

The second period and annual amounts above reflect total average daily attendance and the average daily attendance generated through classroom-based instruction, since non-classroom based instruction was not utilized.

Average daily attendance is a measurement of the number of pupils attending classes at Optimist Charter. 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.

See independent auditors' report.

OPTIMIST BOYS' HOME AND RANCH, INC.

OPTIMIST CHARTER
SCHEDULE OF INSTRUCTIONAL TIME
For the year ended June 30, 2017

| <u>Grade Level</u> | <u>Minutes Requirements</u> | <u>2016-2017 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Number of Days Multitrack Calendar</u> | <u>Status</u> |
|--------------------|-----------------------------|---------------------------------|--|---|---------------|
| Grades 7 - 8 | 54,000 | 64,800 | 180 | N/A | Complied |
| Grades 9 - 12 | 64,800 | 64,800 | 180 | N/A | Complied |

This schedule presents information on the amount of instruction time offered by Optimist Charter and whether Optimist Charter complied with the provisions of the California Education Code.

See independent auditors' report.

OPTIMIST BOYS' HOME AND RANCH, INC.

OPTIMIST CHARTER
SCHEDULE TO RECONCILE THE UNAUDITED ACTUAL REPORT
WITH THE AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2017

| | | |
|---|----|-----------------------|
| June 30, 2017 Unaudited Actual Report Net Position (Net Assets) | \$ | 112,565 |
| Adjustments: | | <u>-</u> |
| June 30, 2017 Audited Financial Statement Net Postion (Net Assets) | \$ | <u><u>112,565</u></u> |

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

See independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Directors
Optimist Boys' Home and Ranch, Inc.
Optimist Charter

We have audited Optimist Boys' Home and Ranch, Inc.'s charter school, Optimist Charter's, compliance with the types of compliance requirements described in the *2016-2017 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel for the year ended June 30, 2017. Optimist Charter's State Compliance requirements are identified in the table below.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on Optimist Charter'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 *2016-2017 Guide for Annual Audits of K-12 Local Educational 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 compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about Optimist Charter'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 Optimist Charter's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine Optimist Charter'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 | Not applicable |
| California Clean Energy Jobs Act | Not applicable |

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

continued

| <u>Description</u> | <u>Procedures Performed</u> |
|---|---------------------------------|
| After School Education and Safety Program | Not applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | Not applicable |
| Immunizations | Yes |
| Charter Schools: | |
| Attendance | Yes |
| Mode of Instruction | Yes |
| Nonclassroom-Based Instruction/Independent Study | Not applicable |
| Determination of Funding for Nonclassroom-based Instruction | Not applicable |
| Annual Instruction Minutes – Classroom Based | Yes |
| Charter School Facility Grant Program | Not applicable |

Opinion on State Compliance

In our opinion, Optimist Charter complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

Purpose of the Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-2017 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Harrington Group

Pasadena, California
December 7, 2017