



OPTIMIST BOYS' HOME AND RANCH, INC.

Operating:

OPTIMIST CHARTER

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

PASADENA
234 E Colorado Blvd
Suite M150
Pasadena, CA 91101
p: 626.403.6801

A Trusted Nonprofit Partner

Main Fax: 626.403.6866

www.npocpas.com

OAKLAND
1901 Harrison Street
Suite 1150
Oakland, CA 94612
p: 510.379.1182

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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, 2018, 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, 2018, 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 presented on pages 9-13 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 “2017-2018 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 13, 2018

OPTIMIST BOYS' HOME AND RANCH, INC.

OPTIMIST CHARTER
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS	
Cash	\$ 104,660
Accounts receivable	6,131
Computers and equipment (net)	<u>34,115</u>
TOTAL ASSETS	<u><u>\$ 144,906</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 305,670
Vacation payable	52,903
Unearned revenue	<u>6,009</u>
TOTAL LIABILITIES	<u>364,582</u>
NET ASSETS	
Unrestricted	<u>(219,676)</u>
TOTAL NET ASSETS	<u>(219,676)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 144,906</u></u>

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, 2018

REVENUE

Local control funding formula sources (Note 3)	\$ 1,143,405
Federal revenue	106,013
Other state revenue	98,887
Other local revenue	<u>339,645</u>

TOTAL REVENUE 1,687,950

EXPENSES

Certificated salaries	1,004,018
Classified salaries	171,889
Employee benefits	234,189
Books and supplies	68,521
Services and other operating expenses	495,430
Depreciation	7,927
Use allowance	26,783
Other outgoing (excluding transfers of indirect costs)	<u>11,434</u>

TOTAL EXPENSES 2,020,191

CHANGE IN NET ASSETS (332,241)

NET ASSETS, BEGINNING OF YEAR 112,565

NET ASSETS, END OF YEAR \$ (219,676)

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	(332,241)
Adjustment to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation		7,927
(Increase) decrease in operating assets:		
Accounts receivable		159,623
Increase (decrease) in operating liabilities:		
Accounts payable		292,256
Salaries payable		(48,982)
Vacation payable		19,625
401k payable		(7,171)
Unearned revenue		6,009
Due to operations		(104,500)
		<hr/>
NET CASH (USED) BY OPERATING ACTIVITIES		(7,454)
		<hr/>
(DECREASE) IN CASH		(7,454)
CASH, BEGINNING OF YEAR		112,114
		<hr/>
CASH, END OF YEAR	\$	104,660
		<hr/> <hr/>

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, 2018, 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 restrictions. Optimist Charter has no temporarily restricted net assets as of June 30, 2018.

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, 2018.

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 13, 2018, 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, 2018 consist of the following:

State aid – current period and adjustment for prior year	\$ 882,600
Education protection account state aid	19,964
Property taxes	<u>240,841</u>
	<u>\$1,143,405</u>

OPTIMIST BOYS' HOME AND RANCH, INC.
OPTIMIST CHARTER

NOTES TO FINANCIAL STATEMENTS

4. Reconciliation of Audited Financial Statements to the Unaudited Actual Reports (UAR)

- a) The following is a reconciliation of the current year depreciation per the Unaudited Actual Schedule of Capital Assets to the amounts reflected in the audited financial statements for the year ended June 30, 2018.

2018 depreciation amount reported on Unaudited Actual Schedule of Capital Assets	\$(1,268)
Adjustment needed to UAR amount to reflect proper cumulative depreciation	<u>9,195</u>
2018 depreciation per Optimist Charter Audited Financial Statements	<u>\$ 7,927</u>

With the above \$7,927 of depreciation recorded, the net book value of the Optimist Charter capital assets is \$34,115 as reflected in the audited financial statements.

- b) The adjustment of \$9,195 above needed to be offset to the "Due to OBH Operations" account which is included with Accounts Payable on the UAR. As such, the following on the UAR was also adjusted:

Accounts Payable per the UAR	\$314,865
Adjustment to correct depreciation	<u>(9,195)</u>
Accounts Payable per the Optimist Charter Audited Financial Statements	<u>\$305,670</u>

- c) Lastly, it was noted after the submission of the UAR, that \$1,502 of certificated salaries was included in benefits. As such, certificated salaries were increased by that amount and the benefits were decreased by that amount. Per the Optimist Charter Audited Financial Statements the amount for certificated salaries and benefits were \$1,004,018 and \$234,189, respectively.

The above adjustments reflect reclasses in the Statement of Financial Position and Activities, and did not have an impact on the overall net position (net assets) reported by Optimist Charter.

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

ORGANIZATION INFORMATION

Agency Name: Optimist Charter

Charter Number: 1506

Charter Authorit: 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>
	Malak Kazan, President	07/17 – 06/19
	Steven Duben, Vice President	07/17 – 06/20
	Dennis Andolsek, Vice President	07/17 – 06/19
	Leslie King, Vice President	07/17 – 06/20
	Linda McWeeney, Secretary	07/17 – 06/20
	Leland Lau, Treasurer	07/17 – 06/19
	Larry Brown	07/17 – 06/20
	Sumako Cohrs	07/17 – 06/21
	Pamela Duben	07/17 – 06/20
	Jack Evans	07/17 – 06/19
	Dolores Gadbury	07/17 – 06/20
	Deborah Kent Clark	07/17 – 06/20
	Jim McDonnell	07/17 – 06/21
	Terry McWeeney	07/17 – 06/21
	Coral Morack	07/17 – 06/21
	Linnie Murphy	07/17 – 06/21

OPTIMIST BOYS' HOME AND RANCH, INC.
OPTIMIST CHARTER

ORGANIZATION INFORMATION

Governing Board Members:

Agency Board, continued

Richard Niederberg	07/17 – 06/18
Michael Seibert	07/17 – 06/20
Carolyn Sievers	07/17 – 06/21
Bill Snyder	07/17 – 06/21
Ron Villachica	07/17 – 06/21
Lenna Welling	07/17 – 06/21

Operating Period:

July 1, 2017 through June 30, 2018

School Year:

July 10, 2017 through June 21, 2018 (A & B Tracks)

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, 2018

	Second Period Report	Annual Report
Grades 7 through 8	0.90	0.98
Grades 9 through 12	98.92	100.85
Totals	99.82	101.83
Average daily attendance totals as reported	99.82	101.83

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, 2018

Grade Level	Minutes Requirements	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multi-track Calendar	Status
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, 2018

June 30, 2018 Unaudited Actual Report Net Position (Net Assets)	\$ (219,676)
Adjustments:	<u>-</u>
June 30, 2018 Audited Financial Statement Net Position (Net Assets)	<u><u>\$ (219,676)</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 *2017-2018 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, 2018. 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 *2017-2018 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
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, 2018.

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 *2017-2018 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 13, 2018