

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alternative Schools Inc.
dba: Ivy Academia
West Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of Alternative Schools Inc. dba: Ivy Academia (the Academy), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2018, 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.

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 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
Alternative Schools Inc.
dba: Ivy Academia

Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Academy as of June 30, 2018, 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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary schedules (as listed in the table of contents) accompanying the financial statements, 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 December 15, 2018 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 solely 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 effectiveness on the Academy’s 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.



CliftonLarsonAllen LLP

Glendora, California
December 15, 2018

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 969,017
Accounts Receivable - Federal and State	588,624
Prepaid Expenses and Other Assets	<u>162,399</u>
Total Current Assets	1,720,040

LONG-TERM ASSETS

Property, Plant, and Equipment, Net	<u>261,235</u>
Total Long-Term Assets	<u>261,235</u>

Total Assets	<u><u>\$ 1,981,275</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	<u>\$ 660,997</u>
Total Current Liabilities	660,997

NET ASSETS

Unrestricted	1,263,149
Temporarily Restricted	<u>57,129</u>
Total Net Assets	<u>1,320,278</u>

Total Liabilities and Net Assets	<u><u>\$ 1,981,275</u></u>
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See accompanying Notes to Financial Statements.

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
State Revenue:			
State Aid	\$ 4,080,132	\$ -	\$ 4,080,132
Other State Revenue	1,241,214	-	1,241,214
Federal Revenue:			
Grants and Entitlements	810,048	-	810,048
Local Revenue:			
In-Lieu Property Tax Revenue	1,614,831	-	1,614,831
Contributions	87	-	87
Other Revenue	128,680	-	128,680
Net Assets Released from Restrictions	20,000	(20,000)	-
Total Revenues	<u>7,894,992</u>	<u>(20,000)</u>	<u>7,874,992</u>
EXPENSES			
Program Services	6,002,288	-	6,002,288
Management and General	1,489,662	-	1,489,662
Total Expenses	<u>7,491,950</u>	<u>-</u>	<u>7,491,950</u>
CHANGE IN NET ASSETS	403,042	(20,000)	383,042
Net Assets - Beginning of Year	<u>860,107</u>	<u>77,129</u>	<u>937,236</u>
NET ASSETS - END OF YEAR	<u>\$ 1,263,149</u>	<u>\$ 57,129</u>	<u>\$ 1,320,278</u>

See accompanying Notes to Financial Statements.

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	383,042
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation		84,279
Change in Operating Assets:		
Accounts Receivable - Federal and State		(52,616)
Accounts Receivable - Other		18,582
Prepaid Expenses and Other Assets		33,567
Change in Operating Liabilities:		
Accounts Payable and Accrued Liabilities		172,404
Deferred Revenue		(21,791)
Net Cash Provided by Operating Activities		617,467

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property, Plant, and Equipment		(126,281)
Net Cash Used by Investing Activities		(126,281)

CASH FLOWS FROM FINANCING ACTIVITIES

Net Change in Line of Credit		(19,589)
Repayments of Debt		(25,000)
Net Cash Used by Financing Activities		(44,589)

NET CHANGE IN CASH AND CASH EQUIVALENTS

446,597

Cash and Cash Equivalents - Beginning of Year

522,420

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 969,017

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest

\$ 2,150

See accompanying Notes to Financial Statements.

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 2,958,805	\$ 572,463	\$ 3,531,268
Pension Expense	330,289	63,904	394,193
Other Employee Benefits	464,756	89,920	554,676
Payroll Taxes	108,355	20,964	129,319
Management Fees	-	56,916	56,916
Legal Expenses	-	93,202	93,202
Accounting Expenses	-	15,225	15,225
Instructional Materials	227,553	-	227,553
Other Fees for Services	897,998	132,000	1,029,998
Advertising and Promotion Expenses	25,377	-	25,377
Office Expenses	-	251,987	251,987
Information Technology Expenses	10,077	-	10,077
Occupancy Expenses	842,863	148,741	991,604
Conference and Meeting Expenses	7,748	-	7,748
Interest Expense	-	2,150	2,150
Depreciation Expense	84,279	-	84,279
Insurance Expense	-	42,190	42,190
Other Expenses	44,188	-	44,188
	<u>\$ 6,002,288</u>	<u>\$ 1,489,662</u>	<u>\$ 7,491,950</u>
Total	<u>\$ 6,002,288</u>	<u>\$ 1,489,662</u>	<u>\$ 7,491,950</u>

See accompanying Notes to Financial Statements.

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Alternative Schools Inc. dba: Ivy Academia (the School) is a nonprofit benefit corporation under the laws of the state of California for the purpose of managing and operating a public charter school located in West Hills. The School is economically dependent on state and federal funding.

The charter 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 School 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 School'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 of America as prescribed by the Financial Accounting Standards Board.

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

The School 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 School are defined as:

Unrestricted

All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.

Temporarily Restricted

These net assets are restricted by donors to be used for specific purposes. At June 30, 2018, the School had temporarily restricted net assets of \$57,129 for College Readiness Block Grant.

Permanently Restricted

These net assets are permanently restricted by donors and cannot be used by the School. The School does not have permanently restricted net assets at June 30, 2018.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2018. 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 value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The useful lives ranges varies from 3 to 39 years depending on 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.

Compensated Absences

The School allows employees to carryover unused vacation. The balance of accumulated compensated absence benefits at June 30, 2018 was \$41,083.

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

Contributions

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

Income Taxes

The School is a nonprofit 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 School files informational returns in the U.S. federal jurisdiction, and the state of California.

Subsequent Events

The School has evaluated subsequent events through December 15, 2018, the date these financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

The School maintains cash balances held in banks which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts may exceed the insured amounts. The School 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.

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$1,000. Depreciation expense was \$84,279 for the year ended June 30, 2018.

The components of property, plant, and equipment as of June 30, 2018 are as follows:

Building	\$ 1,348,684
Equipment	1,073,097
Construction in Progress	67,224
Total	2,489,005
Less: Accumulated Amortization	(2,227,770)
Total Property, Plant, and Equipment	\$ 261,235

NOTE 4 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.

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 chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. 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, 2017, total plan net assets are \$210 billion, the total actuarial present value of accumulated plan benefits is \$362 billion, contributions from all employers totaled \$4.2 billion, and the plan is 62.6% funded. The School 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 January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The School 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 the year ended June 30, 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

<u>Year Ending June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2016	\$ 326,811	100%
2017	370,520	100%
2018	394,193	100%

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 OPERATING LEASES

The School leases facilities under a multi-year operating lease. The lease for the West Hills campus located at 4353 Valley Circle Blvd. has a term from July 2013 through June 30, 2023. Monthly payments are made according to a payment schedule provided in the lease agreement. The payments related to this facility for the year ended June 30, 2018 were \$930,483 .

Future minimum lease payments are follows:

<u>Year Ending June 30,</u>	
2019	\$ 619,143
2020	619,143
2021	619,143
2022	619,143
2023	619,143
Thereafter	-
Total	<u><u>\$ 3,095,715</u></u>

NOTE 6 CONTINGENCIES

The School 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.

NOTE 7 SUBSEQUENT EVENT

In November 2018, a settlement agreement was entered into between Los Angeles Unified School District (LAUSD) and the School regarding a claim that was submitted in 2009. LAUSD is obligated to pay the School \$3,950,000.

SUPPLEMENTARY INFORMATION

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2018**

The School was established in 2004, when it was granted its charter through Los Angeles Unified School District (the District) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Charter School number authorized by the State: 619

The Board of Directors and the Administrators as of the year ended June 30, 2018 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3 year term)</u>
Allison Geld	Chairperson	June 2018
Janet Danaher	Secretary	June 2018
Janay Bailey	CFO	March 2021
Leslie Vanderpool	Member	February 2020
Diane Krehbiel	Member	February 2020
Kevin Delson	Member	February 2020
Farbood Majd	Member	February 2020

ADMINISTRATORS

Joe Herzog	Executive Director
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**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018**

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
Kindergarten	36,000	61,875	178	In compliance
Grade 1	50,400	59,205	178	In compliance
Grade 2	50,400	59,205	178	In compliance
Grade 3	50,400	59,205	178	In compliance
Grade 4	54,000	59,205	178	In compliance
Grade 5	54,000	59,205	178	In compliance
Grade 6	54,000	59,205	178	In compliance
Grade 7	54,000	67,475	178	In compliance
Grade 8	54,000	67,475	178	In compliance
Grade 9	64,800	67,475	178	In compliance
Grade 10	64,800	67,475	178	In compliance
Grade 11	64,800	67,475	178	In compliance
Grade 12	64,800	67,475	178	In compliance

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades TK/K-3	200.10	200.42	199.31	199.31
Grades 4-6	149.27	151.17	149.13	150.99
Grades 7-8	108.79	108.91	108.24	108.24
Grades 9-12	179.52	179.91	178.04	178.27
ADA Totals	637.68	640.41	634.72	636.81

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

June 30, 2018 Annual Financial Report Fund Balances (Net Assets)	\$ 1,377,408
Adjustments and Reclassifications:	
Increase (Decrease) of Fund Balance (Net Assets):	
Cash and Cash Equivalents	<u>(57,130)</u>
Net Adjustments and Reclassifications	<u>(57,130)</u>
June 30, 2018 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 1,320,278</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Pass-Through Program From			
California Department of Education:			
Every Student Succeeds Act			
Title I, Part A, Basic Grants:			
Local Educational Agencies	84.010	N/A	\$ 241,257
Title II, Part A, Improving Teacher Quality	84.367	N/A	29,271
Special Education - IDEA Basic Local Assistance	84.027	N/A	124,606
Charter School Facility Incentive Grant	84.282D	N/A	<u>249,996</u>
<i>Total U.S. Department of Education</i>			<u>645,130</u>
U.S. Department of Agriculture			
Pass-Through Program From			
California Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	22,823
National School Lunch Program	10.555	N/A	<u>142,095</u>
Child Nutrition Cluster Subtotal			<u>164,918</u>
<i>Total U.S. Department of Agriculture</i>			<u>164,918</u>
Total Federal Expenditures			<u>\$ 810,048</u>

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

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

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

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the School. 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.

NOTE 3 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.

NOTE 4 SCHEDULE OF EXPENDITURE 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, 2018. The information in this Schedule is presented on the accrual basis of accounting 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

NOTE 5 INDIRECT COST RATE

The Academy has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

Board of Directors
Alternative Schools Inc.
dba: Ivy Academia
West Hills, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alternative Schools Inc. dba: Ivy Academia (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2018, 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 December 15, 2018.

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.

Board of Directors
Alternative Schools Inc.
dba: Ivy Academia

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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
December 15, 2018



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

Board of Directors
Alternative Schools Inc.
dba: Ivy Academia
West Hills, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Ivy Academia (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, 2018. The Academy's major federal program is identified in the summary of auditors' 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.

Auditors' 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 its major federal program for the year ended June 30, 2018.

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.



CliftonLarsonAllen LLP

Glendora, California
December 15, 2018

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
 Alternative Schools Inc.
 dba: Ivy Academia
 West Hills, California

We have audited Alternative Schools Inc. dba: Ivy Academia's (the Academy) compliance with the types of compliance requirements described in the *2017-2018 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, 2018. 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.

Auditors' 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 *2017-2018 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	Yes
Before and After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

Board of Directors
Alternative Schools Inc.
dba: Ivy Academia

<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
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	No ¹
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

¹ Nonclassroom ADA was under the threshold that required testing.

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, 2018.

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 *2017-2018 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.



CliftonLarsonAllen LLP

Glendora, California
December 15, 2018

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

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

2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes _____ no
 - Significant deficiency(ies) identified? _____ yes _____ none reported

3. Noncompliance material to financial statements noted? _____ yes _____ no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes _____ no
 - Significant deficiency(ies) identified? _____ yes _____ none reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ no

Identification of Major Federal Programs

CFDA Number(s)

10.555
84.282D

Name of Federal Program or Cluster

Child Nutrition Programs
Charter School Facility Incentive Grant

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes _____ no

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

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

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for June 30, 2018.

**ALTERNATIVE SCHOOLS INC.
DBA: IVY ACADEMIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

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