

**CONSOLIDATED
AUDIT REPORT**



**FOR THE YEAR ENDED
JUNE 30, 2018**

**A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA PUBLIC CHARTER SCHOOLS**

Da Vinci Design (Charter No. 1081)
Da Vinci Science (Charter No. 1060)
Da Vinci Innovation Academy (Charter No. 1597)
Da Vinci Communications High (Charter No. 1689)
RISE High (Charter No. 1865)

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**DA VINCI SCHOOLS
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JUNE 30, 2018**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Da Vinci Schools
El Segundo, California

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Da Vinci Schools (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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State Board of Accountancy

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Da Vinci Schools 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 consolidated financial statements that collectively comprise Da Vinci Schools' basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is 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 basic financial statements.

The supplementary information listed in the table of contents 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 our report dated December 14, 2018, on our consideration of the Organization'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 of the Organization'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 Organization's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 14, 2018

DA VINCI SCHOOLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current assets

Cash and cash equivalents	\$ 2,050,948
Accounts receivable	4,598,474
Prepaid expenses	<u>44,575</u>
Total current assets	<u>6,693,997</u>

Capital assets

Property and equipment	595,361
Less accumulated depreciation	<u>(433,057)</u>
Total capital assets, net	<u>162,304</u>
Total Assets	<u>\$ 6,856,301</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 2,346,614
Deferred revenue	<u>408,125</u>
Total liabilities	<u>2,754,739</u>

Net assets

Unrestricted	3,761,672
Temporarily restricted	<u>339,890</u>
Total net assets	<u>4,101,562</u>
Total Liabilities and Net Assets	<u>\$ 6,856,301</u>

The notes to the consolidated financial statements are an integral part of this statement.

**DA VINCI SCHOOLS
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Temporarily		
	Unrestricted	Restricted	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 13,211,748	\$ -	\$ 13,211,748
Federal revenues	896,893	-	896,893
Other state revenues	2,544,963	-	2,544,963
Total federal and state support and revenues	16,653,604	-	16,653,604
Local support and revenues			
Payments in lieu of property taxes	3,488,800	-	3,488,800
Grants and donations	725,950	1,600,000	2,325,950
Investment income, net	25,095	-	25,095
Other local revenues	918,896	-	918,896
Total local support and revenues	5,158,741	1,600,000	6,758,741
Donor restrictions satisfied	2,377,041	(2,377,041)	-
Total Support and Revenues	24,189,386	(777,041)	23,412,345
EXPENSES			
Program services			
Charter school operations	18,174,577	-	18,174,577
Supporting services			
Management and general	6,219,384	-	6,219,384
Total Expenses	24,393,961	-	24,393,961
CHANGE IN NET ASSETS	(204,575)	(777,041)	(981,616)
Net Assets - Beginning	3,966,247	1,116,931	5,083,178
Net Assets - Ending	\$ 3,761,672	\$ 339,890	\$ 4,101,562

The notes to the consolidated financial statements are an integral part of this statement.

DA VINCI SCHOOLS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Supporting Services</u>	
	Charter School Operations	Management and General	<u>Total</u>
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 7,728,919	\$ 1,615,370	\$ 9,344,289
Classified salaries	968,128	1,740,845	2,708,973
Employee benefits	3,100,439	545,659	3,646,098
Total personnel expenses	<u>11,797,486</u>	<u>3,901,874</u>	<u>15,699,360</u>
Non-personnel expenses			
Books and supplies	1,647,511	574,301	2,221,812
Insurance	49,484	106,800	156,284
Depreciation	90,097	19,278	109,375
Payments to authorizing agency	169,119	-	169,119
Services and other operating	4,420,880	1,617,131	6,038,011
Total non-personnel expenses	<u>6,377,091</u>	<u>2,317,510</u>	<u>8,694,601</u>
Total Expenses	<u>\$ 18,174,577</u>	<u>\$ 6,219,384</u>	<u>\$ 24,393,961</u>

The notes to the consolidated financial statements are an integral part of this statement.

DA VINCI SCHOOLS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (981,616)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	109,375
(Increase) decrease in operating assets	
Accounts receivable	(2,932,290)
Prepaid expenses	(34,898)
Increase (decrease) in operating liabilities	
Accounts payable	(341,668)
Deferred revenue	208,163
Net cash provided by (used in) operating activities	<u>(3,972,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(110,676)</u>
Net cash provided by (used in) investing activities	<u>(110,676)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,083,610)
Cash and cash equivalents - Beginning	<u>6,134,558</u>
Cash and cash equivalents - Ending	<u>\$ 2,050,948</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid on interest	<u>\$ 12,421</u>

The notes to the consolidated financial statements are an integral part of this statement.

DA VINCI SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Da Vinci Schools (the “Organization”), located in Los Angeles County, was formed as a nonprofit public benefit corporation in the State of California on September 10, 2008 under the name Wiseburn 21st Century Charter Schools. In March 2013, the Organization changed its name and began operating as Da Vinci Schools. The main purpose of the Organization is to manage public charter schools: Da Vinci Design, Da Vinci Science, Da Vinci Innovation Academy, and Da Vinci Communications High; known collectively as the Da Vinci Schools (the “Charters”).

Da Vinci Science (formally called STEM Project Center) was approved by the State Board of Education on January 8, 2009 under California Charter No. 1081. Da Vinci Design was approved on May 7, 2009 under California Charter No. 1060. Classes began in August 2009 for Da Vinci Science and Da Vinci Design. Da Vinci Innovation began its first year of operation in 2013-14 after approval on September 4, 2013 under California Charter No. 1597. In 2014-15, Da Vinci Communications High began operations following approval on September 3, 2014 as California Charter No. 1689.

In November 2016, articles of incorporation were filed to establish a limited liability company under the name RISE Charter School, LLC (the “LLC”) whereby the Organization is the sole-member of the LLC. As such, the LLC is deemed a “disregarded entity” and its financial information is consolidated with the Organization. The purpose of the LLC is to operate RISE High, California Charter No. 1865. The fiscal year 2017-18 was the first year of school operation for RISE High.

Wiseburn Unified School District (the “authorizing agency” or the “District”) is the authorizing agency for all five charter schools operated by the Organization. The Charters are authorized to instruct grades K-12. Da Vinci Science, Da Vinci Design, Da Vinci Communications High and RISE High currently serve students in grades 9-12 and Da Vinci Innovations Academy offers non-classroom based instruction to grades K-8. Funding sources consist of state apportionments, grants and donations from the public.

The mission of Da Vinci Schools is to provide students with rigorous and relevant academic and workplace skills, preparing its graduates for rewarding lives in our increasingly technological society. The specific goals of the Charters are to successfully integrate technical and academic education into a school that prepares students for post-secondary education and for leadership in the high technology industry; to increase the number of underrepresented students in math and engineering who succeed in high school and post-secondary education and who become productive members and leaders in the South Bay and Los Angeles area high technology industry; and to provide all of the Charters’ students with an extraordinary education that prepares them to be thoughtful, engaging citizens in our increasingly technological society.

B. Basis of Accounting

The Organization’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

DA VINCI SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Principles of Consolidation

The accompanying financial statements include the accounts of the Organization and the LLC. Intercompany accounts and transactions have been eliminated in consolidation.

D. Financial Statement Presentation

Da Vinci Schools is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Directors and management's discretion in carrying out the activities of the organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support operations. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Organization's financial statement presentation.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

F. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

G. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

DA VINCI SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

H. Cash and Investments

Da Vinci Schools considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Organization's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2018, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

J. Capital Assets

Da Vinci Schools has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or is requiring the Organization to hold the asset for a specified period of time. Capital assets are depreciated using the straight-line method.

K. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

L. Income Taxes

Da Vinci Schools is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a charitable corporation organized and operated primarily as an educational institution, the Organization is not required to register with the California Attorney General as a charity.

The Organization's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Organization's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

M. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

N. New Accounting Pronouncements

Not-for-Profit Financial Reporting Model Standard

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities* whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization will determine the impact on the financial statements once implemented for the fiscal year 2018-19.

Revenue Recognition

In May 2014, the International Accounting Standards Board (IASB) and FASB issued a joint accounting standard on revenue recognition to address a number of concerns regarding the complexity and lack of consistency surrounding the accounting for revenue transactions. Consistent with each board's policy, FASB and IASB issued new reporting standards on revenue recognition. FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in FASB ASU No. 2014-09 provides a framework for revenue recognition and supersedes or amends several of the revenue recognition requirements in FASB ASC 605 *Revenue Recognition*. The guidance was originally effective for public entities for the fiscal year beginning after December 15, 2016. In August 2015, FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to allow entities additional time to implement systems, gather data, and resolve implementation questions. The new requirements are to be applied to fiscal years beginning after December 15, 2017. The Organization will determine the impact on the financial statements once implemented for the fiscal year 2018-19.

DA VINCI SCHOOLS
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

N. New Accounting Pronouncements (*continued*)

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease and is effective for public business entities for fiscal years beginning after December 15, 2018. The Organization will determine the impact on the financial statements once implemented for the fiscal year 2019-20.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018, consist of the following:

	Da Vinci Schools	RISE Charter School, LLC	Total
Cash in county treasury	\$ 1,857,214	\$ -	\$ 1,857,214
Cash in banks, non-interest bearing	-	512,133	512,133
Cash in banks, interest bearing	32,275	-	32,275
Deficit cash	(350,674)	-	(350,674)
Total Cash and Cash Equivalents	\$ 1,538,815	\$ 512,133	\$ 2,050,948

Cash in Banks

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Da Vinci Schools does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2018, \$374,344 of the Organization’s bank balances were exposed to custodial credit risk as there were deposits over \$250,000 in accounts at Wells Fargo Bank.

Deficit Cash

As of June 30, 2018, Da Vinci Schools held a deficit cash balance of \$350,674. Although there was a positive bank balance, reconciling items created a negative book balance. The reconciling items are due to timing of cash disbursements for payments made to the Wiseburn Unified School District.

DA VINCI SCHOOLS
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2018

NOTE 2 – CASH AND CASH EQUIVALENTS (*continued*)

Cash in County Treasury

Policies and Practices

Da Vinci Schools is a voluntary participant in an external investment pool. The fair value of the Charters’ investment in the pool is reported in the financial statements at amounts based upon the Charters’ pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest the Charters’ funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations/Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Organization has managed its exposure to interest rate risk by investing in the County Treasury. The Organization’s investments in the Los Angeles County Investment Pool, which combines the Charters’ share of the portfolio, has a combined fair value of \$1,832,336 and an amortized book value of \$1,857,214 as of June 30, 2018. The average weighted maturity for this pool is 609 days.

DA VINCI SCHOOLS
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2018

NOTE 2 – CASH AND CASH EQUIVALENTS (*continued*)

Cash in County Treasury (*continued*)

Fair Value Measurement

Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels described in Note 1M because the Charters’ transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consists of the following:

	Da Vinci Schools	RISE Charter School, LLC	Total
Local control funding formula, state aid	\$ 1,837	\$ 33,890	\$ 35,727
Federal sources	100,435	12,606	113,041
Other state sources	812,261	46,015	858,276
Payments in lieu of property taxes	2,454,780	115,630	2,570,410
Due from authorizing agency	421,020	-	421,020
Local grant receivable	-	600,000	600,000
Total Accounts Receivable	\$ 3,790,333	\$ 808,141	\$ 4,598,474

NOTE 4 – CAPITAL ASSETS

Capital assets, net of accumulated depreciation, as of June 30, 2018 are as follows:

	Da Vinci Schools	RISE Charter School, LLC	Total
Property and equipment			
Building improvements	\$ 5,880	\$ -	\$ 5,880
Furniture and equipment	561,940	27,541	589,481
Total property and equipment	567,820	27,541	595,361
Less: accumulated depreciation	(428,344)	(4,713)	(433,057)
Capital Assets, net	\$ 139,476	\$ 22,828	\$ 162,304

The Organization purchased a total of \$110,676 in furniture and equipment that was recorded as additions to capital assets during the fiscal year ended June 30, 2018. Additionally, \$109,375 was recorded as depreciation expense.

DA VINCI SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2018, consists of the following:

	Da Vinci	RISE	
	Schools	Charter School,	
		LLC	Total
Due to grantor governments	\$ 1,116,444	\$ -	\$ 1,116,444
Due to authorizing agency	421,818	-	421,818
Salaries and benefits payable	385,493	-	385,493
Vendor payables	422,194	665	422,859
Total Accounts Payable	\$ 2,345,949	\$ 665	\$ 2,346,614

NOTE 6 – DEFERRED REVENUE

There was no deferred revenue balance as of June 30, 2018 for RISE Charter School, LLC. Deferred revenue as of June 30, 2018 consists of the following for Da Vinci Schools:

Federal sources	
Da Vinci Science - Title I	\$ 1,277
State sources	
Da Vinci Design - CTIG*	202,771
Local sources	
Charles Schwab donation	25,848
ECMC Foundation grant	178,229
Total Deferred Revenue	\$ 408,125

**Career Technical Education Incentive Grant*

DA VINCI SCHOOLS
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 7 – NET ASSETS

Net assets at June 30, 2018 were designated for the following purposes:

	Da Vinci Schools	RISE Charter School, LLC	Total
Temporarily restricted net assets			
The XQ: The Super School Project	\$ -	\$ 80,980	\$ 80,980
Northrop/Cal Poly Program	83,045	-	83,045
State imposed restrictions			
College Readiness Block Grant	67,157	-	67,157
California Clean Energy Jobs Act	108,708	-	108,708
Total temporarily restricted net assets	258,910	80,980	339,890
Unrestricted net assets			
Net investment in capital assets	139,476	22,828	162,304
Board designated			
One time money	234,792	-	234,792
Increase in facilities cost	610,000	-	610,000
STRS increase	576,104	-	576,104
Total board designated	1,420,896	-	1,420,896
Undesignated	1,545,040	633,432	2,178,472
Total unrestricted net assets	3,105,412	656,260	3,761,672
Total Net Assets	\$ 3,364,322	\$ 737,240	\$ 4,101,562

NOTE 8 – RELATED PARTY TRANSACTIONS

Inter-Agency Activity

Receivables and payables due between the separate operating units of the Organization are classified as due to/due from related entities within the Statement of Financial Position by Charter. Inter-agency transactions and balances are eliminated in the consolidated financial statements of Da Vinci Schools to better reflect the true activities of the corporation.

Charter School Operations

In 2013-14, the Organization began accounting for a separate operating unit for charter management. The purpose was to separate the activity associated with management services and facility maintenance for the supported charter schools. The charter management unit provides business office support, professional development, and other services to support the Charters.

DA VINCI SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – RELATED PARTY TRANSACTIONS (continued)

Inter-Agency Activity (continued)

Sole Member LLC

As mentioned in Note 1A, the Organization established RISE Charter School, LLC in November 2016 and serves as the sole member of the LLC. As such, activity from the LLC is included in the consolidating financial statements and statements by charter. Interagency transactions have been eliminated on the basic financial statements for purposes of consolidation.

All employees receive reportable compensation from Da Vinci Schools although some employees provide time and effort directly to RISE Charter School, LLC. During the fiscal year ended June 30, 2018, the LLC recognized \$1,238,174 in expenses for salaries and benefits, which were reimbursed to Da Vinci Schools. As of June 30, 2018, \$642,115 was due from the LLC to Da Vinci Schools for reimbursement of personnel expenses. This amount is noted as an elimination from due to and due from related entity on the consolidating statement of financial position.

Supporting Organization

In January 2018, management and the Organization's board of trustees elected to establish the Da Vinci Schools Fund (the "Fund"). The Fund was incorporated as a domestic nonprofit for the purpose of providing assistance and support to Da Vinci Schools and its affiliated institutions and organizations. The Fund did not yet have any financial activity or transactions to report, with the Organization or otherwise, during the fiscal year ended June 30, 2018.

Authorizing Agency

The Organization made payments to the Wiseburn Unified School District to provide business services such as human resources, attendance accounting and payroll services, in addition to fees and services for administrative oversight as the authorizing agency. Fees associated with oversight consist of one percent of revenue from local control funding formula sources. Total fees paid to the District for oversight and facility usage amounted to \$286,763 and total payments for back office support amounted to \$169,119 for the fiscal year ending June 30, 2018.

During the fiscal year ended June 30, 2018, the Organization held a memorandum of understanding (MOU) with the Wiseburn Unified School District for shared administrative staff. The agreement covers salaries and benefits for two employees who receive reportable compensation issued under the Wiseburn Unified School District though they provide partial compensated services to the Charters. In consideration for their services, the Organization reimburses the authorizing agency based on the actual salaries and benefits paid to the employees covered by the agreement. Additionally, the Organization pays the salary of one employee whose compensated services are to the Wiseburn District. In turn, the District reimburses the Organization for this employee's time and effort.

Receivables and payables due between the Organization and the District, if any, are classified as due to/from authorizing agency within Notes 3 and 5. The amount due from the authorizing agency is attributed to in-lieu property tax revenue amounts due to the authorizing agency are attributed to fees for oversight/back office support.

DA VINCI SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 9 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charters have made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS), and all other employees are covered under an alternative plan. As established by federal law, all public-sector employees who are not members of their employer’s existing retirement plan (CalSTRS) must be covered by social security or an alternative plan. The Organization uses social security as their alternative plan.

California State Teachers’ Retirement System (CalSTRS)

Plan Description

Da Vinci Schools contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 9.205% of their 2017-18 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2017-18 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization’s contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2017-18	\$ 1,335,978	100%
2016-17	\$ 983,381	100%
2015-16	\$ 743,855	100%

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Da Vinci Schools is estimated at \$575,600, which is computed as the proportionate share of total 2016-17 State on-behalf contributions.

DA VINCI SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

Da Vinci Schools 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Joint Powers Agency (JPA)

During the year ended June 30, 2018, Da Vinci Schools participated in a joint venture with the CharterSafe, formerly operated as California Charter Schools Joint Powers Authority (CCSA). CharterSafe arranges for insurance coverage related to property, general liability, automobile, worker's compensation, and other miscellaneous liability coverage specific to operation of a charter school. The relationship between the Organization and the JPA is such that the JPA is not financially inter-related to the Organization for financial reporting purposes.

Facilities Use Agreement

The Organization has full and exclusive use of the District-owned facility located at 13500 Aviation Boulevard in Hawthorne, California, for operation of the Da Vinci Innovation Academy and RISE High charter schools. The District-owned facility located at 12495 and 12501 South Isis Avenue, which previously housed Da Vinci Design and Da Vinci Communications High is still under agreement for use. The facilities were utilized by the Charters' for instructional services in order to meet the educational goals established by the Organization. See Note 8 for total payments to the District as the authorizing agency.

Outstanding Construction Commitments

In November 2014, the State Allocation Board (SAB) for the Office of Public School Construction reviewed requests for preliminary apportionment for Da Vinci Design and Da Vinci Science. Under the Charter School Facility Program, the Organization received State funding of approximately \$52.7 million to cover half the cost of a charter school facility construction project. The Organization is required to match the State grant to fund the remaining cost of the project. The Organization has partnered with the Wiseburn Unified School District to fiscally manage the funds as well as oversee and manage the approved SAB construction project.

Multi-employer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charters' voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charters to make payments to the plan, which would approximate the Charters' proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charters' share of withdrawal liability is approximately \$13,495,693 as of June 30, 2017. The Charters do not currently intend to withdraw from CalSTRS. Refer to Note 9 for additional information on employee retirement plans.

DA VINCI SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – DONATED MATERIALS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Da Vinci Schools in an effort to advance the Charters' programs and objectives. These services have not been recorded in the Organization's financial statements because they do not meet the criteria required by generally accepted accounting principles.

NOTE 12 – SUBSEQUENT EVENTS

Da Vinci Schools has evaluated subsequent events for the period from June 30, 2018 through December 14, 2018, the date the financial statements were available to be issued. Management has identified the following:

- Da Vinci Innovation Academy (Charter No. 1597) has changed its name to Da Vinci Connect for the 2018-19 school year.
- The Organization elected to voluntarily close RISE High (Charter No. 1865) authorized by the Wiseburn Unified School District. The school closure was effective September 1, 2018.
- The Organization established a new public charter school, Da Vinci Rise High (Charter No. 2017) authorized by the Los Angeles County Office of Education. The school start date was August 6, 2018. The new school will serve the same student population as previously enrolled in RISE High.
- The Organization established a new entity, Da Vinci Schools: L.A. County. The entity was incorporated on August 30, 2018 as a domestic nonprofit with the specific purpose to operate and manage one or more public charter schools.

Management did not identify any other events or transactions that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION SECTION

DA VINCI SCHOOLS
CHARTER ORGANIZATIONAL STRUCTURE
JUNE 30, 2018

During 2017-18, Da Vinci Schools, a California non-profit public benefit corporation, and RISE High, LLC operated five state board approved charter schools (the “Charters”). The Charters are located in Los Angeles County and are all sponsored by the Wiseburn Unified School District, the authorizing agency. Information on each of the Charters is as follows:

Charter School	Classes Began	Grades Served	Charter Number
Da Vinci Design	8/18/2009	9 - 12	1081
Da Vinci Science	8/17/2009	9 - 12	1060
Da Vinci Innovation Academy	8/19/2013	K - 8	1597
Da Vinci Communications High	8/12/2014	9 - 12	1689
RISE High	8/21/2017	9 - 12	1865

The Charters are governed by the following Board of Trustees of the Organization and managed by the following administration:

BOARD OF TRUSTEES

Name	Office	Term Expiration
Mr. Chet Pipkin	President	September 2020
Dr. Donald Brann	Vice President	September 2020
Mr. Brian Meath	Treasurer	June 2019
Mrs. Jennifer Morgan	Secretary	June 2019
Mr. Art Lofton	Trustee	July 2021
Mr. Israel Mora	Trustee	February 2019
Mr. Roger Bañuelos	Trustee	January 2019

ADMINISTRATION

Dr. Matthew Wunder
Chief Executive Officer

Ms. Mary Ring
Chief Student Services Officer

Mr. Marshall Mayotte
Chief Financial Officer

Ms. Yolanda Saldana-Bautista
Director, Employee Support Services

Mr. Tom Cox
CFO Emeritus

Ms. Carla Levenson
Director, External Relations

DA VINCI SCHOOLS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Da Vinci Schools	RISE Charter School, LLC	Eliminations	Consolidated Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,538,815	\$ 512,133	\$ -	\$ 2,050,948
Accounts receivable	3,790,333	808,141	-	4,598,474
Due from related entity	642,115	-	(642,115)	-
Prepaid expenses	7,657	36,918	-	44,575
Total current assets	5,978,920	1,357,192	(642,115)	6,693,997
Capital assets				
Property and equipment	567,820	27,541	-	595,361
Less accumulated depreciation	(428,344)	(4,713)	-	(433,057)
Capital assets, net	139,476	22,828	-	162,304
Total Assets	\$ 6,118,396	\$ 1,380,020	\$ (642,115)	\$ 6,856,301
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 2,345,949	\$ 665	\$ -	\$ 2,346,614
Due to related entity	-	642,115	(642,115)	-
Deferred revenue	408,125	-	-	408,125
Total liabilities	2,754,074	642,780	(642,115)	2,754,739
Net assets				
Unrestricted	3,105,412	656,260	-	3,761,672
Temporarily restricted	258,910	80,980	-	339,890
Total net assets	3,364,322	737,240	-	4,101,562
Total Liabilities and Net Assets	\$ 6,118,396	\$ 1,380,020	\$ (642,115)	\$ 6,856,301

See accompanying note to supplementary information.

DA VINCI SCHOOLS
CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2018

	RISE			
	Da Vinci Schools	Charter School, LLC	Inter-Agency Eliminations	Consolidated Total
UNRESTRICTED SUPPORT AND REVENUES				
Federal and state support and revenues				
Local control funding formula, state aid	\$ 12,777,590	\$ 434,158	\$ -	\$ 13,211,748
Federal revenues	884,196	12,697	-	896,893
Other state revenues	2,498,942	46,021	-	2,544,963
Total federal and state support and revenues	16,160,728	492,876	-	16,653,604
Local support and revenues				
Payments in lieu of property taxes	3,373,170	115,630	-	3,488,800
Grants and donations	725,950	-	-	725,950
Investment income, net	24,500	595	-	25,095
Other local revenues	914,455	4,441	-	918,896
Total local support and revenues	5,038,075	120,666	-	5,158,741
Donor restrictions satisfied	129,012	2,248,029	-	2,377,041
Total Unrestricted Support and Revenues	21,327,815	2,861,571	-	24,189,386
EXPENSES				
Program services	15,969,266	2,205,311	-	18,174,577
Supporting services				
Management and general	6,219,384	-	-	6,219,384
Total Expenses	22,188,650	2,205,311	-	24,393,961
Increase (decrease) in Unrestricted Net Assets	(860,835)	656,260	-	(204,575)
RESTRICTED SUPPORT AND REVENUES				
Grants and donations	-	1,600,000	-	1,600,000
Donor restrictions released	(129,012)	(2,248,029)	-	(2,377,041)
Total Restricted Support and Revenues	(129,012)	(648,029)	-	(777,041)
Increase (decrease) in Temporarily Restricted Net Assets	(129,012)	(648,029)	-	(777,041)
CHANGE IN NET ASSETS	(989,847)	8,231	-	(981,616)
Net Assets - Beginning	4,354,169	729,009	-	5,083,178
Net Assets - Ending	\$ 3,364,322	\$ 737,240	\$ -	\$ 4,101,562

See accompanying note to supplementary information.

DA VINCI SCHOOLS
STATEMENT OF FINANCIAL POSITION BY CHARTER
JUNE 30, 2018

<i>California Public Charter Schools</i>	Da Vinci Schools				RISE Charter School, LLC
	<i>No. 1081</i>	<i>No. 1060</i>	<i>No. 1597</i>	<i>No. 1689</i>	<i>No. 1865</i>
	Da Vinci Design	Da Vinci Science	Da Vinci Innovation Academy	Da Vinci Communications High	RISE High
ASSETS					
Current assets					
Cash and cash equivalents	\$ -	\$ 1,857,214	\$ -	\$ -	\$ 512,133
Accounts receivable	47,298	322,386	902,344	72,005	808,141
Due from related entity	2,481,449	96,726	-	241,693	-
Prepaid expenses	101	5,478	-	2,078	36,918
Total current assets	2,528,848	2,281,804	902,344	315,776	1,357,192
Capital assets					
Property and equipment	152,062	322,529	42,653	50,576	27,541
Less accumulated depreciation	(130,041)	(234,071)	(36,525)	(27,707)	(4,713)
Capital assets, net	22,021	88,458	6,128	22,869	22,828
Total Assets	\$ 2,550,869	\$ 2,370,262	\$ 908,472	\$ 338,645	\$ 1,380,020
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 552,512	\$ 1,093,151	\$ 292,029	\$ 162,134	\$ 665
Due to related entity	-	-	310,137	-	642,115
Deferred revenue	262,181	67,915	-	59,410	-
Total liabilities	814,693	1,161,066	602,166	221,544	642,780
Net assets					
Unrestricted	1,663,344	1,068,235	306,306	71,984	656,260
Temporarily restricted	72,832	140,961	-	45,117	80,980
Total net assets	1,736,176	1,209,196	306,306	117,101	737,240
Total Liabilities and Net Assets	\$ 2,550,869	\$ 2,370,262	\$ 908,472	\$ 338,645	\$ 1,380,020

See accompanying note to supplementary information.

**DA VINCI SCHOOLS
STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2018**

<i>California Public Charter Schools</i>	Da Vinci Schools				RISE Charter School, LLC
	<i>No. 1081</i>	<i>No. 1060</i>	<i>No. 1597</i>	<i>No. 1689</i>	<i>No. 1865</i>
			Da Vinci	Da Vinci	
	Da Vinci Design	Da Vinci Science	Innovation Academy	Communications High	RISE High
UNRESTRICTED SUPPORT AND REVENUES					
Federal and state support and revenues					
Local control funding formula, state aid	\$ 4,163,733	\$ 3,881,895	\$ 2,164,657	\$ 2,567,305	\$ 434,158
Federal revenues	466,675	199,234	83,139	135,148	12,697
Other state revenues	852,870	719,595	394,246	468,724	46,021
Total federal and state support and revenues	5,483,278	4,800,724	2,642,042	3,171,177	492,876
Local support and revenues					
Payments in lieu of property taxes	1,032,664	975,648	724,081	640,777	115,630
Grants and donations	98,094	206,707	6,919	92,775	-
Investment income, net	1,120	13,002	64	63	595
Other local revenues	437,124	378,040	195,502	235,499	4,441
Total local support and revenues	1,569,002	1,573,397	926,566	969,114	120,666
Donor restrictions satisfied	51,391	67,948	-	9,673	2,248,029
Total Unrestricted Support and Revenues	7,103,671	6,442,069	3,568,608	4,149,964	2,861,571
EXPENSES					
Program services	6,166,621	6,170,094	3,217,217	3,675,128	2,205,311
Supporting services					
Management and general	954,189	758,703	540,336	638,402	-
Total Expenses	7,120,810	6,928,797	3,757,553	4,313,530	2,205,311
Increase (decrease) in Unrestricted					
Net Assets	(17,139)	(486,728)	(188,945)	(163,566)	656,260
RESTRICTED SUPPORT AND REVENUES					
Grants and donations	-	-	-	-	1,600,000
Donor restrictions released	(51,391)	(67,948)	-	(9,673)	(2,248,029)
Total Restricted Support and Revenues	(51,391)	(67,948)	-	(9,673)	(648,029)
Increase (decrease) in Temporarily Restricted					
Net Assets	(51,391)	(67,948)	-	(9,673)	(648,029)
CHANGE IN NET ASSETS	(68,530)	(554,676)	(188,945)	(173,239)	8,231
Net Assets - Beginning	1,804,706	1,763,872	495,251	290,340	729,009
Net Assets - Ending	\$ 1,736,176	\$ 1,209,196	\$ 306,306	\$ 117,101	\$ 737,240

See accompanying note to supplementary information.

**DA VINCI SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018**

		<u>Classroom-Based</u>	
		<u>Second Period</u>	
		<u>Report</u>	<u>Annual Report</u>
Da Vinci Design:	Certificate No.	1C96A04B	D683D943
Regular ADA			
Grades 9 - 12		506.61	502.95
Special education			
Grades 9 - 12		2.14	2.16
Total Average Daily Attendance - Classroom-Based		<u>508.75</u>	<u>505.11</u>
Da Vinci Science:	Certificate No.	00463A67	0869E4D7
Regular ADA			
Grades 9 - 12		499.13	496.55
Special education			
Grades 9 - 12		1.72	1.77
Total Average Daily Attendance - Classroom-Based		<u>500.85</u>	<u>498.32</u>
Da Vinci Communications High:	Certificate No.	3F77042	5ADADC27
Regular ADA			
Grades 9 - 12		313.19	310.18
Special education			
Grades 9 - 12		1.30	1.22
Total Average Daily Attendance - Classroom-Based		<u>314.49</u>	<u>311.40</u>
Da Vinci Innovation Academy:	Certificate No.	E3DD131C	4B07BAAF
Special education			
Grades K - 3		0.20	0.20
Grades 4 - 6		0.00	0.29
Grades 7 - 8		0.94	0.94
Total Average Daily Attendance - Classroom-Based		<u>1.14</u>	<u>1.43</u>

RISE High had no classroom-based ADA in 2017-18.

DA VINCI SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE, *continued*
FOR THE YEAR ENDED JUNE 30, 2018

		Nonclassroom-Based	
		Second Period	
		Report	Annual Report
Da Vinci Design:	Certificate No.	1C96A04B	D683D943
Regular ADA			
Grades 9 - 12		50.54	47.80
Total Average Daily Attendance - Nonclassroom-Based		50.54	47.80
Da Vinci Science:	Certificate No.	00463A67	0869E4D7
Regular ADA			
Grades 9 - 12		21.07	20.94
Total Average Daily Attendance - Nonclassroom-Based		21.07	20.94
Da Vinci Communications High:	Certificate No.	3F77042	5ADADC27
Regular ADA			
Grades 9 - 12		30.97	30.40
Total Average Daily Attendance - Nonclassroom-Based		30.97	30.40
Da Vinci Innovation Academy:	Certificate No.	E3DD131C	4B07BAAF
Regular ADA			
Grades K - 3		162.27	160.39
Grades 4 - 6		137.91	136.43
Grades 7 - 8		88.43	88.05
Total Average Daily Attendance - Nonclassroom-Based		388.61	384.87
RISE High:	Certificate No.	A8B42AC7	D3DD3A26
Regular ADA			
Grades 9 - 12		62.24	67.29
Total Average Daily Attendance - Nonclassroom-Based		62.24	67.29

See accompanying note to supplementary information.

**DA VINCI SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Span	Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Da Vinci Design:				
Grades 9 - 12	64,800	66,480	175	Complied
Da Vinci Science:				
Grades 9 - 12	64,800	68,015	175	Complied
Da Vinci Communications High:				
Grades 9 - 12	64,800	67,395	175	Complied

RISE High and Da Vinci Innovation Academy did not report regular ADA for classroom-based instruction; therefore, there are no instructional minutes listed for these charter schools. Instruction related to special education classroom-based ADA for Da Vinci Innovation Academy was provided via nonpublic schools.

DA VINCI SCHOOLS
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	Da Vinci Design	Da Vinci Science	Da Vinci Innovation Academy	Da Vinci Communications High	RISE High
<i>California Public Charter School</i>	<i>No. 1081</i>	<i>No. 1060</i>	<i>No. 1597</i>	<i>No. 1689</i>	<i>No. 1865</i>
June 30, 2018, fund balance per alternative form	\$ 1,790,367	\$ 1,262,619	\$ 356,626	\$ 169,074	\$ 694,522
Increase (decrease) in total net assets:					
Adjustments:					
Adjust Education Protection Account (EPA) aid	(72,882)	72,882	-	-	-
Remove Prop. 39 Clean Energy Jobs Act funding	(54,191)	(53,423)	(50,320)	(51,967)	-
Adjust salaries and benefits expense related to EPA	72,882	(72,882)	-	-	-
Adjust services and other operating expenses	-	-	-	(6)	42,718
Total net adjustments	(54,191)	(53,423)	(50,320)	(51,973)	42,718
June 30, 2018, net assets per audited financial statements	\$ 1,736,176	\$ 1,209,196	\$ 306,306	\$ 117,101	\$ 737,240

See accompanying note to supplementary information.

**DA VINCI SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 255,620
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	14831	87
Title II, Part A, Teacher Quality	84.367	14341	37,808
Special Education IDEA Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	280,489
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	227,561
Subtotal Special Education Cluster			508,050
Total U. S. Department of Education			801,565
 U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
National School Lunch Program	10.555	13391	95,328
Total U. S. Department of Agriculture			95,328
 Total Federal Expenditures			\$ 896,893

DA VINCI SCHOOLS
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

A. Charter Organizational Structure

This schedule provides information about the charter schools' authorizing agency, grades served, members of the governing body, and members of the administration.

B. Consolidating Financial Statements

Consolidating statements of financial position and activities by entity provide information supporting the combined amounts incorporated in the consolidated financial statements of the Organization.

C. Statements by Charter

Statements of financial position and activities by charter provide information supporting the amounts for each public charter school. The statements include financial information for each California public charter schools operated under Da Vinci Schools and RISE Charter School, LLC.

D. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter 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 and in different programs.

E. Schedule of Instructional Time

Da Vinci Schools receives, as part of their local control funding formula sources, incentive funding for maintaining instructional time. This schedule presents information on the amount of instructional time offered by the Charters and whether each charter school complied with the provisions of *Education Code Section 46200* through 46208.

F. Reconciliation of Financial – Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile fund balance reported on the Financial Report – Alternative Form (Unaudited Actuals) to net assets on the audited financial statements for each charter school.

G. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Organization has not elected to use the 10 percent de minimis indirect cost rate.

**OTHER INDEPENDENT AUDITORS'
REPORTS**

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

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

To the Board of Trustees of
Da Vinci Schools
El Segundo, California

We have audited, 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, the financial statements of Da Vinci Schools (the "Organization") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the auditing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 14, 2018

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

Independent Auditors' Report

To the Board of Trustees of
Da Vinci Schools
El Segundo, California

Report on Compliance for Each Major Federal Program

We have audited Da Vinci Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Da Vinci Schools' major federal programs for the year ended June 30, 2018. Da Vinci Schools' 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 the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Da Vinci Schools' 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 Da Vinci Schools' 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 Da Vinci Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Da Vinci Schools 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, 2018.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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Report on Internal Control Over Compliance

Management of Da Vinci Schools 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 Da Vinci Schools' 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 Da Vinci Schools' 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 in internal control over compliance, 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.

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.

Christy White Associates

San Diego, California
December 14, 2018

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

To the Board of Trustees of
Da Vinci Schools
El Segundo, California

Report on State Compliance

We have audited Da Vinci Schools' compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Da Vinci Schools' state programs for the fiscal year ended June 30, 2018, as identified below. Reference to Da Vinci Schools within this letter is inclusive of Da Vinci Design (No. 1081), Da Vinci Science (No. 1060), Da Vinci Innovation Academy (No. 1597), Da Vinci Communications High (No. 1689), and RISE High (No. 1865).

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Da Vinci Schools' state 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards 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 the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Da Vinci Schools' 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 with the requirements referred to above. However, our audit does not provide a legal determination of Da Vinci Schools' compliance with those requirements.

Opinion on State Compliance

In our opinion, Da Vinci Schools complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

Christy White, CPA

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as Finding 2018-001. Our opinion on state compliance is not modified with respect to this matter.

Da Vinci Schools’ response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Da Vinci Schools’ response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

Description	California Public Charter School No. 1081 & 1060	No. 1689	No. 1597	No. 1865
	Da Vinci Design & Da Vinci Science	Da Vinci Communications High	Da Vinci Innovations Academy	RISE High
	Procedures Performed			
School Districts, County Offices of Education, and Charter Schools				
Educator Effectiveness	Yes	Not applicable	Yes	Not applicable
California Clean Energy Jobs Act	No	No	No	Not applicable
After/Before School Education and Safety Program	Not applicable	Not applicable	Not applicable	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes	Yes	Yes	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes	Yes	Yes	Yes
Local Control and Accountability Plan	Yes	Yes	Yes	Yes
Independent Study – Course Based	Not applicable	Not applicable	Not applicable	Not applicable
Charter Schools				
Attendance	Yes	Yes	Yes	Yes
Mode of Instruction	Yes	Yes	No	Not applicable
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes	Yes	Yes	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not applicable	Not applicable	Yes	Yes
Annual Instructional Minutes – Classroom Based	Yes	Yes	No	Not applicable
Charter School Facility Grant Program	Not applicable	Not applicable	Not applicable	Not applicable

We did not perform procedures over the California Clean Energy Jobs Act for each applicable school because no program funding has been expended as of June 30, 2018. We did not perform procedures for Mode of Instruction and Annual Instructional Minutes – Classroom Based for Da Vinci Innovation Academy because ADA was not material and instruction was provided via nonpublic schools.



San Diego, California
December 14, 2018

**FINDINGS AND QUESTIONED COSTS
SECTION**

**DA VINCI SCHOOLS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
84.027, 84.027A	Special Education IDEA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

DA VINCI SCHOOLS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

There were no financial statement findings for the year ended June 30, 2018.

DA VINCI SCHOOLS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

FIVE DIGIT CODE
5000

AB 3627 FINDING TYPE
Federal Compliance

There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2018.

**DA VINCI SCHOOLS
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING 2018-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)

Criteria: Students designated as an English Learner (EL) and/or classified as Free and Reduced Meal (FRPM) eligible, who are not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report, must have supporting documentation that indicates the student was eligible for this EL designation or FRPM status. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: Based on review and testing of student designations from the 2017-18 CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report for each charter school, we noted the following with regard to English Learner (EL) statuses at Da Vinci Design. In our initial audit test work of EL-only students from Da Vinci Design, no current annual assessment information was made available for audit for one (1) of five (5) EL students. It was elected to extrapolate the error over the remaining population of thirteen (13) students. As a result, the error is estimated to exist in three (3) additional students for a total estimated error of four (4) students.

Effect: The charter schools are not in compliance with State requirements. A total of four (4) students from Da Vinci Design and one (1) student from Da Vinci Science were found to be improperly designated.

Cause: Students were properly assessed but English Learner Acquisition Status (ELAS) designations for students who were reclassified from EL to RFEP were not timely updated in the student information system to ensure for accurate CALPADS reporting. Data would need to be input before the end of the 2017-18 Fall 1 submission window (or amendment window, if applicable) and prior to certification of CALPADS data; however, information for the students mentioned above was not reflected in the system at that time.

Questioned Cost: \$982 for Da Vinci Design as calculated using guidance from the California Department of Education (CDE). Refer to Questioned Cost Calculation on following page.

Recommendation: We recommend that all EL students be assessed annually and reclassified based on the reclassification policy established by the charter schools for CALPADS reporting purposes of ELAS designations. The results of the assessments should be communicated to those authorized with overseeing CALPADS reporting in order to reconcile the reported data to sufficient supporting documentation. If necessary, updated information should be submitted and recertified within the amendment window.

DA VINCI SCHOOLS
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018

**FINDING 2018-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000),
(continued)**

Corrective Action Plan: Da Vinci staff will continue to follow the reclassification policy established by the charter schools for CALPADS reporting purposes of ELAS designations. It will work closely with the back office provider, Charter School Management Corporation, to reconcile the reported data to sufficient supporting documentation. A compliance process was developed by Da Vinci Schools staff and periodic trainings will take place. The goal will be to properly report the pupil count in CALPADS that affects the school’s Local Control Funding Formula.

Questioned Cost Calculation:

		Da Vinci Design			
UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	1,722			
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	774			
3	Audit Adjustment - Number of Enrollment	-			
4	Audit Adjustment - Number of Unduplicated Pupil Count	(4)			
5	Revised Adjusted Enrollment	1,722			
6	Revised Adjusted Unduplicated Pupil Count	770			
7	UPP calculated as of P-2	0.4495			
8	Revised UPP for audit finding	0.4472			
9	Charter Schools Only: Determinative School District Concentration Cap	0.4601			
10	Revised UPP adjusted for Concentration Cap	0.4472			
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	0.00	0.00	0.00	558.45
10	Adjusted Base Grant per ADA	\$7,941	\$7,301	\$7,518	\$8,939
11	Target Supplemental Grant Funding calculated as of P-2	\$446,690			
12	Revised Target Supplemental Grant Funding for audit finding	\$444,404			
13	Target Supplemental Grant Funding audit adjustment	(\$2,286)			
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2	\$0			
15	Revised Target Concentration Grant Funding for audit finding	\$0			
16	Target Concentration Grant Funding audit adjustment	\$0			
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment	(\$2,286)			
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2	0.4296644273			
20	Estimated Cost of Unduplicated Pupil Count audit adjustment	(\$982)			

DA VINCI SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

FINDING 2017-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)

Criteria: Students classified as Free and Reduced Price Meal (FRPM) eligible and/or English Learners (EL), who are not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report must have supporting documentation that indicates the student was eligible for this designation. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: Based on review and testing of student designations from the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report for each charter, we noted the following:

- **Da Vinci Design:** For all students designated as EL only, we noted exceptions for five (5) of eleven (11). No documentation was provided for audit on one (1) student. Based on review of documentation within the student cumulative file for the remaining four (4) students, the assessment information indicated that the student should have been reclassified out of EL status prior to the start of the 2016-17 school year.
- **Da Vinci Science:** For all students designated as FRPM only, we noted exceptions for six (6) of 170 students. The students had been subject to the NSLP verification process and were subsequently deemed ineligible for FRPM status. The student information system had noted “paid” following the verification process yet the system field or report settings did not allow for accurate updates for CALPADS reporting purposes.
- **Da Vinci Innovations Academy:** For all students designated as EL only, we noted exceptions for one (1) of three (3). Based on review of documentation within the student cumulative file, the assessment information indicated that the student should have been reclassified out of EL status prior to the start of the 2016-17 school year.

Effect: The charter schools are not in compliance with State requirements. A total of twelve (12) students appeared to be improperly designated as EL or FRPM: five (5) for **Da Vinci Design**, six (6) for **Da Vinci Science**, and one (1) for **Da Vinci Innovations Academy**. Errors were based on testing of 100% of the population where the error was discovered.

Cause: Documentation for EL designations was not adequately reviewed and updated for CALPADS reporting purposes. Input error within the student information system for tracking of student FRPM status following the verification process.

DA VINCI SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018

FINDING 2017-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (continued)

Questioned Costs: \$3,918 as calculated below by charter school:

		Da Vinci Design				Da Vinci Science				Da Vinci Innovation Academy			
UPP Audit Adjustment													
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	1,642				1,587				1,031			
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	730				679				65			
3	Audit Adjustment - Number of Enrollment	-				-				-			
4	Audit Adjustment - Number of Unduplicated Pupil Count	(5)				(6)				(1)			
5	Revised Adjusted Enrollment	1,642				1,587				1,031			
6	Revised Adjusted Unduplicated Pupil Count	725				673				64			
7	UPP calculated as of P-2	0.4446				0.4279				0.0630			
8	Revised UPP for audit finding	0.4415				0.4241				0.0621			
9	Charter Schools Only: Determinative School District Concentration Cap	0.4841				0.4841				0.4841			
10	Revised UPP adjusted for Concentration Cap	0.4415				0.4241				0.0621			
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12	TK/K-3	4-6	7-8	9-12	TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	0.00	0.00	0.00	558.45	0.00	0.00	0.00	517.32	\$7,820	\$7,189	\$7,403	\$8,801
10	Adjusted Base Grant per ADA	\$7,820	\$7,189	\$7,403	\$8,801	\$7,820	\$7,189	\$7,403	\$8,801	\$173	\$123	\$57	\$0
11	Target Supplemental Grant Funding calculated as of P-2	\$437,035				\$389,640				\$33,542			
12	Revised Target Supplemental Grant Funding for audit finding	\$433,987				\$386,180				\$33,063			
13	Target Supplemental Grant Funding audit adjustment	(\$3,048)				(\$3,460)				(\$479)			
LCFF Target Concentration Grant Funding Audit Adjustment													
14	Target Concentration Grant Funding calculated as of P-2	\$0				\$0				\$0			
15	Revised Target Concentration Grant Funding for audit finding	\$0				\$0				\$0			
16	Target Concentration Grant Funding audit adjustment	\$0				\$0				\$0			
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target													
18	Total Target Supplemental and Concentration audit adjustment	(\$3,048)				(\$3,460)				(\$479)			
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap													
19	Statewide Gap Funding Rate as of P-2	0.5607679980				0.5607679980				0.5607679980			
20	Estimated Cost of Unduplicated Pupil Count audit adjustment	(\$1,709)				(\$1,940)				(\$269)			

Current Status: Not fully implemented. Refer to Finding 2018-001.