

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

**Audited Consolidated Financial Statements
For the Year Ended
June 30, 2016**

Operating:

View Park Preparatory Accelerated Charter Elementary School (VPES)
View Park Preparatory Accelerated Charter Middle School (VPMS)
View Park Preparatory Accelerated Charter High School (VPHS)
ICEF Innovation Los Angeles Charter (formerly Frederick Douglass Elementary School) (IILA)
Lou Dantzler Academy Elementary School (LDES)
Lou Dantzler Middle School (LDMS)
ICEF Vista Elementary School (IVES)
ICEF Vista Middle School (IVMS)
ICEF Inglewood Elementary Charter Academy (IIES)
ICEF Inglewood Middle Charter Academy (IIMS)

Closed After June 30, 2016:

Lou Dantzler Middle School (LDMS)

Consolidated with:

Inner City Education Family

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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June 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
ICEF Public Schools and its Affiliates
Los Angeles, CA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of Directors
ICEF Public Schools and its Affiliates

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

Opinion

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited ICEF's June 30, 2015 financial statements, and in our report dated November 13, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
ICEF Public Schools and its Affiliates

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2016 on our consideration of ICEF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ICEF's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
October 5, 2016

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016
With Comparative Totals for June 30, 2015

	<u>ICEF</u>	<u>Family</u>	<u>Total</u>	<u>Eliminations</u>	<u>2016 Total</u>	<u>2015 Total</u>
<u>ASSETS</u>						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 9,771,568	\$ 1,132,786	\$ 10,904,354	\$ -	\$ 10,904,354	\$ 15,064,299
Accounts receivable	7,270,195	2,507,377	9,777,572	(4,389,420)	5,388,152	6,275,433
Prepaid expenses and other assets	490,292	-	490,292	-	490,292	482,658
Total current assets	<u>17,532,055</u>	<u>3,640,163</u>	<u>21,172,218</u>	<u>(4,389,420)</u>	<u>16,782,798</u>	<u>21,822,390</u>
LONG-TERM ASSETS:						
Prepaid expenses and other assets	-	1,725,732	1,725,732	-	1,725,732	2,065,587
Property, plant and equipment, net	7,327,346	29,120,127	36,447,473	-	36,447,473	27,529,933
Total long-term assets	<u>7,327,346</u>	<u>30,845,859</u>	<u>38,173,205</u>	<u>-</u>	<u>38,173,205</u>	<u>29,595,520</u>
Total assets	<u>\$ 24,859,401</u>	<u>\$ 34,486,022</u>	<u>\$ 59,345,423</u>	<u>\$ (4,389,420)</u>	<u>\$ 54,956,003</u>	<u>\$ 51,417,910</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Accounts payable and accrued liabilities	\$ 4,198,180	\$ 4,922,811	\$ 9,120,991	\$ (4,389,420)	\$ 4,731,571	\$ 3,274,924
Deferred revenue	126,355	-	126,355	-	126,355	1,584,812
Long-term debt, current portion	94,600	295,000	389,600	-	389,600	2,174,417
Total current liabilities	<u>4,419,135</u>	<u>5,217,811</u>	<u>9,636,946</u>	<u>(4,389,420)</u>	<u>5,247,526</u>	<u>7,034,153</u>
LONG-TERM LIABILITIES:						
Long-term debt	<u>2,100,111</u>	<u>29,590,000</u>	<u>31,690,111</u>	<u>-</u>	<u>31,690,111</u>	<u>32,079,877</u>
Total long-term liabilities	<u>2,100,111</u>	<u>29,590,000</u>	<u>31,690,111</u>	<u>-</u>	<u>31,690,111</u>	<u>32,079,877</u>
NET ASSETS:						
Unrestricted - operations	6,089,702	-	6,089,702	-	6,089,702	3,347,887
Unrestricted - capital projects	4,942,292	-	4,942,292	-	4,942,292	3,024,221
Unrestricted - capital assets and related debt	<u>7,308,161</u>	<u>(321,789)</u>	<u>6,986,372</u>	<u>-</u>	<u>6,986,372</u>	<u>5,931,772</u>
Total net assets	<u>18,340,155</u>	<u>(321,789)</u>	<u>18,018,366</u>	<u>-</u>	<u>18,018,366</u>	<u>12,303,880</u>
Total liabilities and net assets	<u>\$ 24,859,401</u>	<u>\$ 34,486,022</u>	<u>\$ 59,345,423</u>	<u>\$ (4,389,420)</u>	<u>\$ 54,956,003</u>	<u>\$ 51,417,910</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
With Comparative Totals for June 30, 2015**

	<u>ICEF</u>	<u>Family</u>	<u>Eliminations</u>	<u>2016 Total</u>	<u>2015 Total</u>
UNRESTRICTED REVENUE AND OTHER SUPPORT:					
State revenue:					
State aid	\$ 24,048,688	\$ -	\$ -	\$ 24,048,688	\$ 22,783,141
Other state revenue	7,015,419	-	-	7,015,419	5,859,853
Federal revenue:					
Grants and entitlements	4,080,241	-	-	4,080,241	4,094,395
Local revenue:					
In-lieu property tax revenue	6,439,070	-	-	6,439,070	6,050,311
Contribution revenue	3,315,421	3,475	-	3,318,896	2,745,479
Other revenue	2,973,318	2,520,306	(2,519,715)	2,973,909	1,494,118
Total revenues	<u>47,872,157</u>	<u>2,523,781</u>	<u>(2,519,715)</u>	<u>47,876,223</u>	<u>43,027,297</u>
EXPENSES:					
Program services	36,286,945	2,269,858	(2,519,715)	36,037,088	34,247,490
Management and general	5,999,814	-	-	5,999,814	6,154,667
Fundraising	116,668	8,167	-	124,835	125,979
Total expenses	<u>42,403,427</u>	<u>2,278,025</u>	<u>(2,519,715)</u>	<u>42,161,737</u>	<u>40,528,136</u>
Change in unrestricted net assets	5,468,730	245,756	-	5,714,486	2,499,161
Beginning unrestricted net assets	<u>12,871,425</u>	<u>(567,545)</u>	<u>-</u>	<u>12,303,880</u>	<u>9,804,719</u>
Ending unrestricted net assets	<u>\$ 18,340,155</u>	<u>\$ (321,789)</u>	<u>\$ -</u>	<u>\$ 18,018,366</u>	<u>\$ 12,303,880</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016
With Comparative Totals for June 30, 2015**

	<u>ICEF</u>	<u>Family</u>	<u>Eliminations</u>	<u>2016 Total</u>	<u>2015 Total</u>
CASH FLOWS from OPERATING ACTIVITIES:					
Change in net assets	\$ 5,468,730	\$ 245,756	\$ -	\$ 5,714,486	\$ 2,499,161
Adjustments to reconcile change in net assets to net cash flows from operating activities:					
Depreciation	275,513	145,715	-	421,228	397,322
Amortization of bond costs	-	48,552	-	48,552	48,552
Loss on disposal/transfer of assets	243,023	-	-	243,023	211,809
Debt forgiveness	-	-	-	-	(750,000)
Change in operating assets:					
Accounts receivable	(1,039,250)	(2,015)	1,928,546	887,281	2,733,651
Prepaid expenses and other assets	(7,634)	291,303	-	283,669	(1,317,658)
Change in operating liabilities:					
Accounts payable and accrued liabilities	1,177,835	2,207,358	(1,928,546)	1,456,647	(2,161,770)
Deferred revenue	(1,458,457)	-	-	(1,458,457)	987,070
Net cash flows from operating activities	<u>4,659,760</u>	<u>2,936,669</u>	<u>-</u>	<u>7,596,429</u>	<u>2,648,137</u>
CASH FLOWS from INVESTING ACTIVITIES:					
Purchases of property, plant and equipment	(1,013,076)	(10,497,261)	-	(11,510,337)	(5,809,392)
Net cash flows from investing activities	<u>(1,013,076)</u>	<u>(10,497,261)</u>	<u>-</u>	<u>(11,510,337)</u>	<u>(5,809,392)</u>
CASH FLOWS from FINANCING ACTIVITIES:					
Proceeds from debt	-	-	-	-	16,256,000
Repayments of debt	(166,037)	(80,000)	-	(246,037)	(1,919,979)
Net cash flows from financing activities	<u>(166,037)</u>	<u>(80,000)</u>	<u>-</u>	<u>(246,037)</u>	<u>14,336,021</u>
Net change in cash and cash equivalents	3,480,647	(7,640,592)	-	(4,159,945)	11,174,766
Cash and cash equivalents at the beginning of the year	<u>6,290,921</u>	<u>8,773,378</u>	<u>-</u>	<u>15,064,299</u>	<u>3,889,533</u>
Cash and cash equivalents at the end of the year	<u>\$ 9,771,568</u>	<u>\$ 1,132,786</u>	<u>\$ -</u>	<u>\$ 10,904,354</u>	<u>\$ 15,064,299</u>
Cash paid for interest	<u>\$ 116,043</u>	<u>\$ 1,847,769</u>	<u>\$ -</u>	<u>\$ 1,963,812</u>	<u>\$ 1,428,065</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016
With Comparative Totals for June 30, 2015**

ICEF:

	Program Services	Management and General	Fundraising	2016 Expenses	2015 Expenses
Salaries and wages	\$ 15,683,130	\$ 1,616,574	\$ -	\$ 17,299,704	\$ 18,071,274
Pension expense	1,603,127	7,014	-	1,610,141	1,446,082
Other employee benefits	2,115,744	186,641	-	2,302,385	2,191,678
Payroll taxes	732,428	119,426	-	851,854	858,675
Legal expenses	214,042	514,121	-	728,163	507,950
Accounting expenses	-	475,000	-	475,000	500,000
Other fees for services	4,679,850	217,944	-	4,897,794	5,295,851
Advertising and promotion expenses	19,911	20,878	-	40,789	60,002
Office expenses	751,472	261,411	-	1,012,883	716,735
Instructional materials	2,599,033	24,711	-	2,623,744	1,590,705
Occupancy expenses	4,320,253	164,533	-	4,484,786	3,854,762
Transportation expenses	327,140	112,412	-	439,552	380,721
Meeting and training expenses	119,282	78,848	-	198,130	52,007
Interest expense	-	116,043	-	116,043	325,377
Depreciation and amortization	204,233	71,280	-	275,513	251,607
Insurance expense	209,122	23,300	-	232,422	291,383
Other expenses	2,708,177	1,989,679	116,668	4,814,524	3,853,819
Total 2016 Expenses	<u>\$ 36,286,944</u>	<u>\$ 5,999,815</u>	<u>\$ 116,668</u>	<u>\$ 42,403,427</u>	
Total 2015 Expenses	<u>\$ 33,970,987</u>	<u>\$ 6,154,668</u>	<u>\$ 122,973</u>		<u>\$ 40,248,628</u>

Family:

	Program Services	Management and General	Fundraising	2016 Expenses	2015 Expenses
Legal expenses	\$ 6,125	\$ -	\$ -	\$ 6,125	\$ -
Other fees for services	3,604	-	-	3,604	16,863
Office expenses	5,601	-	-	5,601	34
Interest expense	1,847,769	-	-	1,847,769	1,102,688
Depreciation and amortization	194,267	-	-	194,267	194,267
Insurance expense	7,175	-	-	7,175	2,650
Other expenses	205,317	-	8,167	213,484	3,006
Total 2016 Expenses	<u>\$ 2,269,858</u>	<u>\$ -</u>	<u>\$ 8,167</u>	<u>\$ 2,278,025</u>	
Total 2015 Expenses	<u>\$ 1,316,502</u>	<u>\$ -</u>	<u>\$ 3,006</u>		<u>\$ 1,319,508</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – ICEF Public Schools (ICEF) is a California 501(c)(3) not-for-profit corporation that is the legal entity with all legal and fiduciary responsibilities for all the schools and their educational programs. ICEF provides financial support, management, and administrative services to each of its charter schools and their enrichment programs.

ICEF was founded in 1999 to transform inner-city neighborhoods by providing alternative first-rate educational opportunities for at-risk youth of color in South Los Angeles. ICEF includes 10 schools educating students in grades K through 12. Serving more than 3,600 students, ICEF schools (ICEF) are located in a neighborhood with the low performing traditional public schools in Los Angeles. The performance of ICEF is well above the performance of the neighboring district schools – schools ICEF students would have attended were it not for the ICEF option.

ICEF is committed to promoting the value of education as the major tool for economic self-sufficiency to build strong, sustainable communities and thereby transform inner-city neighborhoods. Each school operates a rigorous, relevant, and coherent standards-based curriculum with the goal “to prepare all students to attend and compete at the top 100 colleges and universities in the nation.” In addition to starting and operating charter schools, ICEF offers afterschool activities such as arts, music, dance, athletics, counseling, tutoring, and enrichment programs.

On December 28, 2012, a group of individuals formed a separate legal entity named the Inner City Education Family (Family). Family has a separate operating Board and was created for different operating purposes. On June 27, 2014, the Family received its 501(c)(3) designation and began operations. The purpose of this entity is to: (1) to raise funds to be used to further the educational pursuits for ICEF and other charter schools; (2) to acquire, hold, develop, and lease educational and other related educational facilities for ICEF and other educational endeavors; and (3) to promote the development of arts, athletics, and academics in ICEF and other deserving charter schools.

Due to the symbiotic nature of both Family and ICEF, they are considered to be related entities for audit purposes. As a result, the financial activities of both while outlined separately are combined within the audited financial statements of ICEF.

Cash and Cash Equivalents – ICEF 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.

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Functional Allocation of Expenses – Costs of providing ICEF’s programs and other activities have been presented in the statements 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.

Net Asset Classes – ICEF 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 ICEF consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of ICEF.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. ICEF does not currently have any temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by ICEF. ICEF does not currently have any permanently restricted net assets.

Receivables – Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2016. Accounts receivable primarily consists of funds due from federal and state governments as of June 30, 2016. Management believes that all receivables are fully collectible; therefore no provisions for uncollectible accounts were recorded.

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. ICEF capitalizes all expenditures for land, buildings and equipment in excess of \$5,000.

Comparative Totals – The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ICEF's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**ICEF PUBLIC SCHOOLS
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Compensated Absences – Accumulated unpaid employee vacation benefits are recognized as a liability of ICEF. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of ICEF are paid for days or hours worked based upon Board approved schedules which include vacation.

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of ICEF and a related party, Inner City Education Family (Family), a California non-profit public benefit corporation formed to provide support to ICEF Public Schools, and its subsidiaries, Slauson and Kenniston, LLC, Crenshaw and Slauson, LLC, and 52nd and Crenshaw, LLC, single member limited liability companies. All material intercompany transactions have been eliminated (Eliminations). As a part of its mission, the Inner City Education Family has created several limited liability companies that own real estate for educational purposes. Family is the sole member of these LLC’s. They lease these facilities to ICEF Public Schools, a dba of ICEF, for use by the schools. Since this support is closely aligned with ICEF, accounting principles require that their financial positions be consolidated with the ICEF audit as a related party. For disclosure purposes, the two entities are separated within the audit as a matter of clarification.

Evaluation of Subsequent Events – ICEF has evaluated subsequent events through October 5, 2016, the date these financial statements were available to be issued.

NOTE 2: CONCENTRATION OF CREDIT RISK

ICEF maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. ICEF 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. The Board of ICEF is working to create a program to spread this concentration of risk so funds in excess of the funds required for ongoing operations are protected.

NOTE 3: PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	<u>Charter Schools</u>	<u>General Administration</u>	<u>Family</u>	<u>Total</u>
Land and land improvements	\$ 4,550,000	\$ -	\$ 10,100,789	\$ 14,650,789
Buildings and improvements	369,842	19,741	5,581,607	5,971,190
Computers and equipment	1,042,782	1,298,833	-	2,341,615
Construction in progress	<u>2,460,939</u>	<u>-</u>	<u>13,826,303</u>	<u>16,287,242</u>
Total	8,423,563	1,318,574	29,508,699	39,250,836
Less: accumulated depreciation	<u>(1,115,402)</u>	<u>(1,299,389)</u>	<u>(388,572)</u>	<u>(2,803,363)</u>
Total property, plant and equipment	<u>\$ 7,308,161</u>	<u>\$ 19,185</u>	<u>\$ 29,120,127</u>	<u>\$ 36,447,473</u>

Depreciation expense was \$421,228 for the year ended June 30, 2016.

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

NOTE 4: BOND COSTS

Certain costs of VPHS facility bond issuance held by Slauson and Crenshaw, LLC, totaling \$782,512 (see note 5), have capitalized and are being amortized over 35 years (the life of the bonds). Current amortization expense for the year ended June 30, 2016 was \$22,358.

Certain costs of VPES and VPMS facility bond issuance held by 52nd and Crenshaw, LLC, totaling \$916,840 (see note 5), have capitalized and are being amortized over 35 years (the life of the bonds). Current amortization expense for the year ended June 30, 2016 was \$26,195.

NOTE 5: LONG-TERM DEBT

The long term debt is comprised of the following:

	2016	2015
Loan payable to a trust, including interest of 3% annually. The loan matures when ICEF gives 60 days written notice.	\$ 266,165	\$ 266,165
A loan from Pacific Western Bank for operating purposes. The terms of the loan call for a balloon payment in on September, 2021. The interest rate on this loan currently 5%. This is an unsecured real estate loan. These proceeds from this loan were used to pay off a previously real estate secured loan from Broadway Federal. The loan provides for a partial amortization of the debt and a lower interest rate than was experienced with the Broadway Federal loan.	1,928,546	2,023,129
A line of credit from Pacific Western Bank for operating purposes. The terms of the loan call for repayment in one payment on November 15, 2015. The interest rate on this loan is variable at an index rate (initially 4%) plus .5%. This balance was paid in July 2015.	-	2,000,000
In October 2014, ICEF Family entered into a bond financing agreement for the total proceeds of \$19,810,000. These proceeds were used to finance the acquisition, construction and equipping of the facilities in which the VPES and VPMS will be located. The bonds are divided into \$19,410,000 Series 2014A and \$400,000 Series 2014B Bonds. Interest is payable semi-annually at a coupon rate of 4.75% to 6.00%. The Series A Bonds mature beginning October 2024 and the Series 2014B Bonds mature October 2017. Both Series 2014A and 2014B Bonds are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment fund established in 2017 and 2016, respectively.	19,810,000	19,810,000
In October 2013, ICEF (transferred to Family on June 30, 2014) completed a bond financing in the amount of \$10.225 million (the Series 2013 Bonds), proceeds from which were used to refinance the acquisition, renovation and equipment of the existing facilities of VPHS. Interest is paid semi-annually at a coupon rate of 6.85% to 7.75%. The Series 2013 Bonds are divided into \$9.88 million Series 2013A Bonds and \$345,000 million Series 2013B Bonds (taxable). The Series 2013A Bonds mature beginning October 2033 and the Series 2013B Bonds mature October 2018. Both Series 2013A and Series 2013B are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment fund established in 2018 and 2014 respectively.	10,075,000	10,155,000
Total	\$ 32,079,711	\$ 34,254,294

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

NOTE 5: LONG-TERM DEBT

The long-term debt repayment by year is as follows:

Year Ended June 30,	ICEF	Family Bonds	Total
2017	\$ 94,600	\$ 295,000	\$ 389,600
2018	105,850	315,000	420,850
2019	111,907	340,000	451,907
2020	118,072	355,000	473,072
2021	125,063	375,000	500,063
Thereafter	1,639,219	28,205,000	29,844,219
Total	<u>\$ 2,194,711</u>	<u>\$ 29,885,000</u>	<u>\$ 32,079,711</u>

NOTE 6: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plans

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

The risks of participating in this multi-employer defined benefit pension plan 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 ICEF chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. ICEF has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

ICEF contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2015, total plan net assets are \$192 billion, the total actuarial present value of accumulated plan benefits is \$301 billion, contributions from all employers totaled \$2.7 billion, and the plan is 68.5% funded. ICEF did not contribute more than 5% of the total contributions to the plan.

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

NOTE 6: EMPLOYEE RETIREMENT

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

Funding Policy

Active plan members hired before December 1, 2012 are required to contribute 8.56% of their salary and those hired after are required to contribute 9.20% of their salary. ICEF is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

Year Ended June 30,	Required Contribution	Percent Contributed
2014	\$ 959,124	100%
2015	\$ 1,019,079	100%
2016	\$ 1,127,222	100%

Public Employees' Retirement System (PERS)

Plan Description

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

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

NOTE 6: EMPLOYEE RETIREMENT

Funding Policy

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

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

Year Ended June 30,	Required Contribution	Percent Contributed
2014	\$ 372,059	100%
2015	\$ 427,003	100%
2016	\$ 482,698	100%

NOTE 7: OPERATING LEASES:

ICEF leases various facilities under several lease agreements with staggered terms. Lease expense under these agreements for the year ended June 30, 2016 was \$4,484,786, of which \$2,693,982 was rent paid from ICEF to Family. Future minimum lease payments are as follows:

Year Ended June 30,	Unrelated	Family	Total
2017	\$ 1,143,524	\$ 2,314,301	\$ 3,457,825
2018	1,073,279	2,314,301	3,387,580
2019	592,360	2,314,301	2,906,661
2020	544,443	2,303,393	2,847,836
2021	558,078	2,274,305	2,832,383
Thereafter	2,660,922	62,438,050	65,098,972
Total	<u>\$ 6,572,606</u>	<u>\$ 73,958,651</u>	<u>\$ 80,531,257</u>

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

NOTE 8: CHARTER CLOSE OUTS

ICEF has closed Lou Dantzer Preparatory Charter Middle School. Lou Dantzer Preparatory Charter Elementary has absorbed any remaining assets, liabilities and net assets at June 30, 2016. The consolidation of these two charters is part of a Board approved directive to begin consolidation ICEF elementary schools into K-8 Charters. The expansion of the Lou Dantzer Elementary School into a K-8 was approved by the LAUSD on April 12, 2016 and it became effective on July 1, 2016.

NOTE 9: CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

ICEF Public Schools currently operates 10 charter schools in South Los Angeles. ICEF Public Schools charter schools are as follows:

Active:

View Park Preparatory Accelerated Charter Elementary School (founded 1999) - Charter #0190

View Park Preparatory Accelerated Charter Middle School (founded 2002) - Charter #0506

View Park Preparatory Accelerated Charter High School (founded 2003) - Charter #0543

ICEF Innovate Los Angeles Charter (founded 2008) - Charter #1037

Lou Dantzler Academy Elementary School (founded 2008) - Charter #1038

ICEF Vista Academy Elementary School (founded 2008) - Charter #1039

ICEF Vista Academy Middle School (founded 2008) - Charter #0953

ICEF Inglewood Elementary Charter Academy (founded 2009) - Charter #1121

ICEF Inglewood Middle Charter Academy (founded 2009) - Charter #1122

Not Active after June 30, 2016:

Lou Dantzler Preparatory Middle School (founded 2007) - Charter #0813

**ICEF PUBLIC SCHOOLS
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**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
For the Year Ended June 30, 2016**

The Board of Directors and the Administration as of the year ended June 30, 2016 were as follows:

Board of Directors

<u>Member</u>	<u>Office</u>	<u>Term Expires (3 year term)</u>
David G. Moore	Board Chairman	June 30, 2019
Ranie Lambe	Board Secretary	June 30, 2017
William “Boutie” Lucas	Member	June 30, 2019
Brandon Roberson	Member	June 30, 2018
Tom Stickler	Member	June 30, 2017
Tramell Johnson	Member	June 30, 2018

Administration

Parker Hudnut	CEO
Greg Brendel	COO-CFO (Became an Independent Consultant to ICEF on 7/1/16)
Marie Morelock	CAO

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

Charter School	Grade Level	Instructional Minutes		Instructional Days	Status
		Requirement	Actual		
ICEF Innovation Los Angeles Charter	Kindergarten	36,000	64,070	184	In compliance
	Grade 1	50,400	60,390	184	In compliance
	Grade 2	50,400	60,390	184	In compliance
	Grade 3	50,400	60,390	184	In compliance
	Grade 4	54,000	60,390	184	In compliance
	Grade 5	54,000	60,390	184	In compliance
ICEF Inglewood Elementary Charter Academy	Kindergarten	36,000	60,945	183	In compliance
	Grade 1	50,400	57,735	183	In compliance
	Grade 2	50,400	58,890	183	In compliance
	Grade 3	50,400	57,060	183	In compliance
	Grade 4	54,000	59,115	183	In compliance
	Grade 5	54,000	59,115	183	In compliance
	Grade 6	54,000	60,255	183	In compliance
ICEF Inglewood Middle Charter Academy	Grade 6	54,000	65,215	184	In compliance
	Grade 7	54,000	65,910	184	In compliance
	Grade 8	54,000	65,910	184	In compliance
ICEF Vista Elementary Academy	Kindergarten	36,000	63,825	184	In compliance
	Grade 1	50,400	60,145	184	In compliance
	Grade 2	50,400	60,145	184	In compliance
	Grade 3	50,400	62,210	184	In compliance
	Grade 4	54,000	62,210	184	In compliance
	Grade 5	54,000	62,210	184	In compliance
ICEF Vista Middle Academy	Grade 6	54,000	62,005	184	In compliance
	Grade 7	54,000	62,005	184	In compliance
	Grade 8	54,000	62,005	184	In compliance

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

Charter School	Grade Level	Instructional Minutes		Instructional Days	Status
		Requirement	Actual		
Lou Dantzler Preparatory	Kindergarten	36,000	62,025	184	In compliance
Charter Elementary	Grade 1	50,400	60,145	184	In compliance
	Grade 2	50,400	62,680	184	In compliance
	Grade 3	50,400	62,680	184	In compliance
	Grade 4	54,000	62,680	184	In compliance
	Grade 5	54,000	62,680	184	In compliance
	Lou Dantzler Preparatory	Grade 6	54,000	57,785	183
Charter Middle	Grade 7	54,000	57,785	183	In compliance
	Grade 8	54,000	57,785	183	In compliance
View Park Preparatory	Kindergarten	36,000	59,245	184	In compliance
Accelerated Elementary	Grade 1	50,400	55,565	184	In compliance
	Grade 2	50,400	55,565	184	In compliance
	Grade 3	50,400	59,245	184	In compliance
	Grade 4	54,000	59,245	184	In compliance
	Grade 5	54,000	59,245	184	In compliance
	View Park Preparatory	Grade 6	54,000	60,714	184
Accelerated Middle	Grade 7	54,000	60,714	184	In compliance
	Grade 8	54,000	60,714	184	In compliance
View Park Preparatory	Grade 9	64,800	64,800	184	In compliance
Accelerated High	Grade 10	64,800	64,800	184	In compliance
	Grade 11	64,800	64,800	184	In compliance
	Grade 12	64,800	64,800	184	In compliance

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

	Second Period Report		Annual Report	
	Classroom		Classroom	
	Based	Total	Based	Total
ICEF Innovation Los Angeles Charter				
Grades TK/K-3	108.84	108.84	108.26	108.26
Grades 4-6	72.46	72.46	72.66	72.66
ADA Totals	181.30	181.30	180.92	180.92
ICEF Inglewood Elementary Charter Academy				
Grades TK/K-3	257.96	257.96	254.10	254.10
Grades 4-6	110.19	110.19	109.72	109.72
ADA Totals	368.15	368.15	363.82	363.82
ICEF Inglewood Middle Charter Academy				
Grades 4-6	50.06	50.06	49.59	49.59
Grades 7-8	163.80	163.80	162.39	162.39
ADA Totals	213.86	213.86	211.98	211.98
ICEF Vista Elementary Academy				
Grades TK/K-3	234.41	234.41	233.74	233.74
Grades 4-6	109.79	109.79	109.83	109.83
ADA Totals	344.20	344.20	343.57	343.57
ICEF Vista Middle Academy				
Grades 4-6	84.27	84.27	83.79	83.79
Grades 7-8	147.98	147.98	147.40	147.40
ADA Totals	232.25	232.25	231.19	231.19

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

	Second Period Report		Annual Report	
	Classroom		Classroom	
	Based	Total	Based	Total
Lou Dantzler Preparatory Charter Elementary				
Grades TK/K-3	217.32	217.32	213.98	213.98
Grades 4-6	85.40	85.40	84.07	84.07
ADA Totals	302.72	302.72	298.05	298.05
Lou Dantzler Preparatory Charter Middle				
Grades 4-6	91.06	91.06	89.39	89.39
Grades 7-8	188.29	188.29	187.10	187.10
ADA Totals	279.35	279.35	276.49	276.49
View Park Preparatory Accelerated Elementary				
Grades TK/K-3	343.10	343.10	341.34	341.34
Grades 4-6	164.89	164.89	164.32	164.32
ADA Totals	507.99	507.99	505.66	505.66
View Park Preparatory Accelerated Middle				
Grades 4-6	134.54	134.54	134.77	134.77
Grades 7-8	271.29	271.29	270.87	270.87
ADA Totals	405.83	405.83	405.64	405.64
View Park Preparatory Accelerated High				
Grades 9-12	626.04	626.04	625.66	625.66
ADA Totals	626.04	626.04	625.66	625.66
GRAND TOTAL ADA	3,461.69	3,461.69	3,442.98	3,442.98

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

	ICEF Innovation Los Angeles Charter Charter	ICEF Inglewood Elementary Charter Academy	ICEF Inglewood Middle Charter Academy	ICEF Vista Elementary Academy	ICEF Vista Middle Academy	Lou Dantzer Preparatory Charter Elementary
June 30, 2016 Annual Financial Report						
Fund Balances (Net Assets)	\$ 538,604	\$ 700,180	\$ 268,532	\$ 2,037,221	\$ 1,306,681	\$ 8,058,775
Adjustments and Reclassifications:						
Increasing (Decreasing) the Fund Balance (Net Assets):						
Cash and cash equivalents	-	-	-	-	-	680,253
Accounts receivable	-	-	-	-	-	390,524
Accounts payable and other liabilities	-	-	-	-	-	(232,103)
Net Adjustments and Reclassifications	-	-	-	-	-	838,674
June 30, 2016 Audited Financial Statement						
Fund Balances (Net Assets)	<u>\$ 538,604</u>	<u>\$ 700,180</u>	<u>\$ 268,532</u>	<u>\$ 2,037,221</u>	<u>\$ 1,306,681</u>	<u>\$ 8,897,449</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

	Lou Dantzer Preparatory Charter Middle	View Park Preparatory Accelerated Elementary	View Park Preparatory Accelerated Middle	View Park Preparatory Accelerated High	Total
June 30, 2016 Annual Financial Report					
Fund Balances (Net Assets)	\$ 838,674	\$ 1,295,969	\$ 758,564	\$ 2,470,745	\$ 18,273,945
Adjustments and Reclassifications:					
Increasing (Decreasing) the Fund Balance (Net Assets):					
Cash and cash equivalents	(680,253)	-	-	-	-
Accounts receivable	(390,524)	-	-	-	-
Accounts payable and other liabilities	232,103	-	-	-	-
Net Adjustments and Reclassifications	(838,674)	-	-	-	-
June 30, 2016 Audited Financial Statement					
Fund Balances (Net Assets)	<u>\$ -</u>	<u>\$ 1,295,969</u>	<u>\$ 758,564</u>	<u>\$ 2,470,745</u>	<u>\$ 18,273,945</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	ICEF Innovation Los Angeles Charter	ICEF Inglewood Elementary Charter Academy	ICEF Inglewood Middle Charter Academy	ICEF Vista Elementary Academy	ICEF Vista Middle Academy
Pass Through Program From California Department of Education:							
No Child Left Behind Act							
Title I, Part A, Basic Grants							
Low-Income and Neglected	84.010	14329	\$ 106,476	\$ 123,102	\$ 63,112	\$ 125,071	\$ 81,684
Title II, Part A, Teacher Quality	84.367	14341	1,392	1,983	1,074	1,872	1,246
Title III, Limited English Proficiency	84.365	14346	-	-	-	18,279	6,155
Los Angeles Health and Fitness Project	84.215F	N/A	-	-	-	-	-
Special Education, IDEA Basic	84.027	13379	34,440	24,724	35,039	65,384	44,118
State Charter School Facilities	84.282D	N/A	-	-	-	-	-
<i>Total U.S Department of Education</i>			<u>142,308</u>	<u>149,809</u>	<u>99,225</u>	<u>210,606</u>	<u>133,203</u>
<i>U.S. Department of Agriculture:</i>							
Pass Through Program From California Department of Education:							
Child Nutrition Programs	10.553, 10.555	N/A	<u>103,331</u>	<u>207,387</u>	<u>113,059</u>	<u>238,534</u>	<u>159,023</u>
<i>Total U.S Department of Agriculture</i>			<u>103,331</u>	<u>207,387</u>	<u>113,059</u>	<u>238,534</u>	<u>159,023</u>
Total Federal Expenditures			<u>\$ 245,639</u>	<u>\$ 357,196</u>	<u>\$ 212,284</u>	<u>\$ 449,140</u>	<u>\$ 292,226</u>

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

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Lou Dantzler Preparatory Charter Elementary	Lou Dantzler Preparatory Charter Middle	View Park Preparatory Accelerated Charter Elementary	View Park Preparatory Accelerated Charter Middle	View Park Preparatory Accelerated Charter High	Management and General	Total
Pass Through Program From California Department of Education:									
No Child Left Behind Act									
Title I, Part A, Basic Grants									
Low-Income and Neglected	84.010	14329	\$ 121,533	\$ 102,058	\$ 147,309	\$ 98,515	\$ 146,021	\$ -	\$ 1,114,881
Title II, Part A, Teacher Quality	84.367	14341	1,598	1,244	2,850	1,712	2,601	-	17,572
Title III, Limited English Proficiency	84.365	14346	-	-	-	-	-	-	24,434
Los Angeles Health and Fitness Project	84.215F	N/A	-	-	-	-	-	650,610	650,610
Special Education, IDEA Basic	84.027	13379	57,505	53,065	96,498	77,091	118,923	-	606,787
State Charter School Facilities	84.282D	N/A	55,896	-	-	-	-	-	55,896
<i>Total U.S Department of Education</i>			<u>236,532</u>	<u>156,367</u>	<u>246,657</u>	<u>177,318</u>	<u>267,545</u>	<u>650,610</u>	<u>2,470,180</u>
<i>U.S. Department of Agriculture:</i>									
Pass Through Program From California Department of Education:									
Child Nutrition Programs	10.553, 10.555	N/A	<u>278,012</u>	<u>119,722</u>	<u>212,902</u>	<u>110,176</u>	<u>67,915</u>	-	<u>1,610,061</u>
<i>Total U.S Department of Agriculture</i>			<u>278,012</u>	<u>119,722</u>	<u>212,902</u>	<u>110,176</u>	<u>67,915</u>	-	<u>1,610,061</u>
Total Federal Expenditures			<u>\$ 514,544</u>	<u>\$ 276,089</u>	<u>\$ 459,559</u>	<u>\$ 287,494</u>	<u>\$ 335,460</u>	<u>\$ 650,610</u>	<u>\$ 4,080,241</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

**SUPPLEMENTARY STATEMENT OF POSITION - ICEF
For the Year Ended June 30, 2016**

	ICEF					Lou Dantzier
	ICEF Innovation Los Angeles Charter Charter	Inglewood Elementary Charter Academy	ICEF Inglewood Middle Charter Academy	ICEF Vista Elementary Academy	ICEF Vista Middle Academy	Preparatory Charter Elementary
<u>ASSETS</u>						
<u>Current Assets:</u>						
Cash and cash equivalents	\$ 389,478	\$ 364,047	\$ 20,932	\$ 1,658,465	\$ 1,115,439	\$ 2,176,926
Accounts receivable	216,730	701,879	395,897	463,675	334,474	787,180
Intracompany receivable	1,020	210	-	339	-	248
Deposits and prepaid expenses	63,252	53,497	34,866	36,373	20,583	20,690
Total current assets	<u>670,480</u>	<u>1,119,633</u>	<u>451,695</u>	<u>2,158,852</u>	<u>1,470,496</u>	<u>2,985,044</u>
<u>Non-current Assets:</u>						
Property and equipment, net	52,477	5,475	5,694	123,013	7,060	6,256,780
Total non-current assets	<u>52,477</u>	<u>5,475</u>	<u>5,694</u>	<u>123,013</u>	<u>7,060</u>	<u>6,256,780</u>
Total Assets	<u>\$ 722,957</u>	<u>\$ 1,125,108</u>	<u>\$ 457,389</u>	<u>\$ 2,281,865</u>	<u>\$ 1,477,556</u>	<u>\$ 9,241,824</u>
<u>LIABILITIES AND NET ASSETS</u>						
<u>Current Liabilities:</u>						
Accounts payable and other liabilities	\$ 183,761	\$ 366,746	\$ 186,205	\$ 212,356	\$ 170,875	\$ 340,606
Deferred revenue	592	58,182	2,652	32,288	-	3,769
Intracompany payable	-	-	-	-	-	-
Loans payable, current portion	-	-	-	-	-	-
Total current liabilities	<u>184,353</u>	<u>424,928</u>	<u>188,857</u>	<u>244,644</u>	<u>170,875</u>	<u>344,375</u>
<u>Long-term Liabilities:</u>						
Loans payable, net of current portion	-	-	-	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Assets:</u>						
Unrestricted - operations	486,127	662,622	262,838	1,143,613	709,424	1,035,017
Unrestricted - capital projects	-	32,083	-	770,595	590,197	1,605,652
Unrestricted - capital assets and related debt	52,477	5,475	5,694	123,013	7,060	6,256,780
Total net assets	<u>538,604</u>	<u>700,180</u>	<u>268,532</u>	<u>2,037,221</u>	<u>1,306,681</u>	<u>8,897,449</u>
Total Liabilities and Net Assets	<u>\$ 722,957</u>	<u>\$ 1,125,108</u>	<u>\$ 457,389</u>	<u>\$ 2,281,865</u>	<u>\$ 1,477,556</u>	<u>\$ 9,241,824</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

**SUPPLEMENTARY STATEMENT OF POSITION - ICEF
For the Year Ended June 30, 2016**

	Lou Dantzer Preparatory Charter Middle	View Park Preparatory Accelerated Elementary	View Park Preparatory Accelerated Middle	View Park Preparatory Accelerated High	Management and General	Eliminations	Total
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ -	\$ 1,045,253	\$ 1,345,449	\$ 1,655,579	\$ -	\$ -	\$ 9,771,568
Accounts receivable	-	547,832	448,607	923,591	2,450,330	-	7,270,195
Intracompany receivable	-	104,261	-	48	763,737	(869,863)	-
Deposits and prepaid expenses	-	45,975	19,998	42,906	152,152	-	490,292
Total current assets	-	1,743,321	1,814,054	2,622,124	3,366,219	(869,863)	17,532,055
Non-current Assets:							
Property and equipment, net	-	85,269	709,349	63,044	19,185	-	7,327,346
Total non-current assets	-	85,269	709,349	63,044	19,185	-	7,327,346
Total Assets	\$ -	\$ 1,828,590	\$ 2,523,403	\$ 2,685,168	\$ 3,385,404	\$ (869,863)	\$ 24,859,401
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts payable and other liabilities	\$ -	\$ 529,837	\$ 884,760	\$ 198,551	\$ 1,124,483	\$ -	\$ 4,198,180
Deferred revenue	-	2,784	10,216	15,872	-	-	126,355
Intracompany payable	-	-	869,863	-	-	(869,863)	-
Loans payable, current portion	-	-	-	-	94,600	-	94,600
Total current liabilities	-	532,621	1,764,839	214,423	1,219,083	(869,863)	4,419,135
Long-term Liabilities:							
Loans payable, net of current portion	-	-	-	-	2,100,111	-	2,100,111
Total long-term liabilities	-	-	-	-	2,100,111	-	2,100,111
Net Assets:							
Unrestricted - operations	-	830,492	(244,604)	1,137,963	66,210	-	6,089,702
Unrestricted - capital projects	-	380,208	293,819	1,269,738	-	-	4,942,292
Unrestricted - capital assets and related debt	-	85,269	709,349	63,044	-	-	7,308,161
Total net assets	-	1,295,969	758,564	2,470,745	66,210	-	18,340,155
Total Liabilities and Net Assets	\$ -	\$ 1,828,590	\$ 2,523,403	\$ 2,685,168	\$ 3,385,404	\$ (869,863)	\$ 24,859,401

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

	ICEF Innovation Los Angeles Charter Charter Academy	ICEF Inglewood Elementary Charter Academy	ICEF Inglewood Middle Charter Academy	ICEF Vista Elementary Academy	ICEF Vista Middle Academy	Lou Dantzer Preparatory Charter Elementary
<u>UNRESTRICTED REVENUE</u>						
<u>AND OTHER SUPPORT:</u>						
State aid	\$ 1,270,178	\$ 2,703,641	\$ 1,525,943	\$ 2,446,860	\$ 1,571,373	\$ 2,113,571
Property tax revenue	350,199	554,544	322,137	664,857	448,614	584,734
Other state revenue	424,161	700,512	504,972	695,681	397,326	537,488
Federal revenue	245,639	357,196	212,284	449,140	292,226	514,544
Contributions	37,569	102,970	96,324	72,839	4,000	22,303
Other local revenue	172,913	46,653	(3,106)	240,932	75,149	54,870
Amounts released from restriction	-	-	-	-	-	-
Total unrestricted revenue and other support	<u>2,500,659</u>	<u>4,465,516</u>	<u>2,658,554</u>	<u>4,570,309</u>	<u>2,788,688</u>	<u>3,827,510</u>
<u>EXPENSES:</u>						
Program expenses	2,169,339	3,602,798	2,288,416	3,737,247	2,214,954	2,946,779
Management and general	296,736	539,802	314,420	540,656	349,180	479,469
Fundraising	9,826	10,388	10,316	14,674	-	13,362
Total expenses	<u>2,475,901</u>	<u>4,152,988</u>	<u>2,613,152</u>	<u>4,292,577</u>	<u>2,564,134</u>	<u>3,439,610</u>
Change in unrestricted net assets	24,758	312,528	45,402	277,732	224,554	387,900
<u>TRANSFERS</u>						
Transfer of net assets	-	-	-	-	-	8,093,616
Net assets at beginning of year	<u>513,846</u>	<u>387,652</u>	<u>223,130</u>	<u>1,759,489</u>	<u>1,082,127</u>	<u>415,933</u>
Net Assets at End of Year	<u>\$ 538,604</u>	<u>\$ 700,180</u>	<u>\$ 268,532</u>	<u>\$ 2,037,221</u>	<u>\$ 1,306,681</u>	<u>\$ 8,897,449</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

	Lou Dantzer Preparatory Charter Middle	View Park Preparatory Accelerated Elementary	View Park Preparatory Accelerated Middle	View Park Preparatory Accelerated High	Management and General	Total
<u>UNRESTRICTED REVENUE AND OTHER SUPPORT:</u>						
State aid	\$ 1,849,663	\$ 3,306,487	\$ 2,591,681	\$ 4,669,291	\$ -	\$ 24,048,688
Property tax revenue	539,592	981,233	783,901	1,209,259	-	6,439,070
Other state revenue	682,612	1,119,947	590,973	1,361,747	-	7,015,419
Federal revenue	276,089	459,559	287,494	335,460	650,610	4,080,241
Contributions	22,619	114,398	24,529	105,510	2,712,360	3,315,421
Other local revenue	149,669	621,335	676,147	1,107,366	(168,610)	2,973,318
Amounts released from restriction	-	-	-	-	-	-
Total unrestricted revenue and other support	<u>3,520,244</u>	<u>6,602,959</u>	<u>4,954,725</u>	<u>8,788,633</u>	<u>3,194,360</u>	<u>47,872,157</u>
<u>EXPENSES:</u>						
Program expenses	2,921,292	5,648,987	4,283,950	6,473,183	-	36,286,945
Management and general	414,298	735,388	524,868	1,059,289	745,708	5,999,814
Fundraising	11,090	23,708	4,152	18,152	1,000	116,668
Total expenses	<u>3,346,680</u>	<u>6,408,083</u>	<u>4,812,970</u>	<u>7,550,624</u>	<u>746,708</u>	<u>42,403,427</u>
Change in unrestricted net assets	173,564	194,876	141,755	1,238,009	2,447,652	5,468,730
<u>TRANSFERS</u>						
Transfer of net assets	<u>(8,093,616)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at beginning of year	<u>7,920,052</u>	<u>1,101,093</u>	<u>616,809</u>	<u>1,232,736</u>	<u>(2,381,442)</u>	<u>12,871,425</u>
Net Assets at End of Year	<u>\$ -</u>	<u>\$ 1,295,969</u>	<u>\$ 758,564</u>	<u>\$ 2,470,745</u>	<u>\$ 66,210</u>	<u>\$ 18,340,155</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

	ICEF ICEF Innovation Los Angeles Charter Charter	ICEF Inglewood Elementary Charter Academy	ICEF Inglewood Middle Charter Academy	ICEF Vista ICEF Vista Elementary Academy	ICEF Vista ICEF Vista Middle Academy	Lou Dantzler Lou Dantzler Preparatory Charter Elementary	Lou Dantzler Lou Dantzler Preparatory Charter Middle
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>							
Change in net assets	\$ 24,758	\$ 312,528	\$ 45,402	\$ 277,732	\$ 224,554	\$ 387,900	\$ 173,564
Adjustments to reconcile change in net assets to net cash flows from operating activities:							
Depreciation	23,376	4,223	4,649	22,131	9,226	7,614	36,005
Loss on disposal of fixed assets	-	-	-	-	-	-	-
Decrease (increase) in operating assets:							
Accounts receivable	117,131	67,432	174,790	5,749	(27,840)	(288,788)	458,946
Intracompany receivable	280	(210)	-	(339)	-	(248)	-
Deposits and prepaid expenses	(12,708)	3,052	(3,817)	6,322	2,402	13,737	69,511
Increase (decrease) in operating liabilities:							
Accounts payable and other liabilities	35,447	161,574	27,580	84,704	37,198	231,768	(154,974)
Deferred revenue	289	49,987	(1,146)	12,557	-	1,271	(2,389)
Intracompany payable	-	(266,302)	(248,098)	-	-	(50,442)	-
Net cash flows from operating activities	<u>188,573</u>	<u>332,284</u>	<u>(640)</u>	<u>408,856</u>	<u>245,540</u>	<u>302,812</u>	<u>580,663</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>							
Purchase of property and equipment	(20,540)	-	-	(92,595)	-	(168,694)	-
Net cash flows from investing activities	<u>(20,540)</u>	<u>-</u>	<u>-</u>	<u>(92,595)</u>	<u>-</u>	<u>(168,694)</u>	<u>-</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>							
Repayment of debt	-	-	-	-	-	-	-
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	168,033	332,284	(640)	316,261	245,540	134,118	580,663
Cash and Cash Equivalents at Beginning of Year	221,445	31,763	21,572	1,342,204	869,899	31,600	1,430,545
Transfer of Cash for School Closure	-	-	-	-	-	2,011,208	(2,011,208)
Cash and Cash Equivalents at End of Year	<u>\$ 389,478</u>	<u>\$ 364,047</u>	<u>\$ 20,932</u>	<u>\$ 1,658,465</u>	<u>\$ 1,115,439</u>	<u>\$ 2,176,926</u>	<u>\$ -</u>
<u>SUPPLEMENTAL CASH FLOW DISCLOSURE:</u>							
Cash paid for interest on debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

	View Park Preparatory Accelerated Elementary	View Park Preparatory Accelerated Middle	View Park Preparatory Accelerated High	Management and General	Eliminations	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>						
Change in net assets	\$ 194,876	\$ 141,755	\$ 1,238,009	\$ 2,447,652	\$ -	\$ 5,468,730
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation	62,502	12,579	21,927	71,281	-	275,513
Loss on transfer of fixed assets	-	-	-	243,023	-	243,023
Decrease (increase) in operating assets:						
Accounts receivable	310,718	(98,702)	(31,514)	(1,727,172)	-	(1,039,250)
Intracompany receivable	(87,779)	399,614	(48)	(616,291)	305,021	-
Deposits and prepaid expenses	10,197	5,877	1,535	(103,742)	-	(7,634)
Increase (decrease) in operating liabilities:						
Accounts payable and other liabilities	262,778	668,763	(235,133)	58,130	-	1,177,835
Deferred revenue	(1,645)	3,745	14,393	(1,535,519)	-	(1,458,457)
Intracompany payable	-	869,863	-	-	(305,021)	-
Net cash flows from operating activities	<u>751,647</u>	<u>2,003,494</u>	<u>1,009,169</u>	<u>(1,162,638)</u>	<u>-</u>	<u>4,659,760</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>						
Purchase of property and equipment	<u>(6,780)</u>	<u>(691,767)</u>	<u>(32,700)</u>	<u>-</u>	<u>-</u>	<u>(1,013,076)</u>
Net cash flows from investing activities	<u>(6,780)</u>	<u>(691,767)</u>	<u>(32,700)</u>	<u>-</u>	<u>-</u>	<u>(1,013,076)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>						
Repayment of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,037)</u>	<u>-</u>	<u>(166,037)</u>
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,037)</u>	<u>-</u>	<u>(166,037)</u>
Net increase (decrease) in cash and cash equivalents	744,867	1,311,727	976,469	(1,328,675)	-	3,480,647
Cash and Cash Equivalents at Beginning of Year	300,386	33,722	679,110	1,328,675	-	6,290,921
Transfer of Cash for School Closure	-	-	-	-	-	-
Cash and Cash Equivalents at End of Year	<u>\$ 1,045,253</u>	<u>\$ 1,345,449</u>	<u>\$ 1,655,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,771,568</u>
<u>SUPPLEMENTAL CASH FLOW DISCLOSURE:</u>						
Cash paid for interest on debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,043</u>	<u>\$ -</u>	<u>\$ 116,043</u>

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

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time

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

Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of ICEF. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

Reconciliation of Annual Financial Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of ICEF under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented 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 ICEF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ICEF.

Indirect Cost Rate

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



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

Board of Directors
ICEF Public Schools
Los Angeles, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ICEF Public Schools and its Affiliates (ICEF), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated October 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ICEF'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 ICEF's internal control. Accordingly, we do not express an opinion on the effectiveness of ICEF's internal control.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
October 5, 2016



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

Board of Directors
ICEF Public Schools
Los Angeles, CA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the ICEF'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 ICEF'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 ICEF's compliance.

Opinion on Each Major Federal Program

In our opinion, the ICEF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

Report on Internal Control Over Compliance

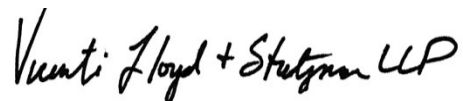
Management of the ICEF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the ICEF's internal control over compliance with the types of 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 ICEF's internal control over compliance.

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

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

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
October 5, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
ICEF Public Schools
Los Angeles, CA

We have audited ICEF Public Schools's (the ICEF) compliance with the types of compliance requirements described in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The ICEF's State compliance requirements are identified in the table below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the ICEF's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the ICEF'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 ICEF's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the ICEF's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Not applicable
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE


<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

Opinion on State Compliance

In our opinion, the ICEF complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
 Glendora, CA
 October 5, 2016

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes	_____	<u>X</u>	None Reported

Noncompliance material to financial statements noted?	_____	Yes	_____	<u>X</u>	No
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Federal Awards

Internal control over major federal awards:

Material weakness(es) identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes	_____	<u>X</u>	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	_____	<u>X</u>	No
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Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A – Low Income and Neglected

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?	_____	<u>X</u>	Yes	_____	No
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**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

All audit findings must be identified as one or more of the following twelve categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINANCIAL STATEMENT FINDINGS

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

FEDERAL AWARDS FINDINGS

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

STATE COMPLIANCE FINDINGS

2016-001 **After School Education and Safety Program** **40000**

Criteria: Pursuant to California Education Code Section 8483.55(b)(1)(B)(4), ASES program attendance is reported semi-annually.

Condition: Based on the testing performed, we discovered that the supporting documentation for 2 of the 10 students sampled for LDES, IIES, and VPMS did not agree to the amount reported.

Effect: The attendance report does not accurately reflect ASES program attendance.

Questioned Costs: None. This is not a condition of funding amounts.

Recommendation: We recommend that ICEF retain adequate documentation to enable compliance with program requirements to be determined and resubmit the attendance report to adequately reflect the appropriate attendance numbers.

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

Corrective Action Plan: For the 2015-16 FY, ICEF contracted with a new After School Education & Safety (ASES) provider. During the initial months several adjustments between ICEF and the new provider were required. One of the issues requiring action stemmed from inadequate attendance record keeping by the vendor. Once discovered ICEF took all appropriate steps to correct the errors to insure compliance.

The steps taken to ensure compliance with the After School Education & Safety (ASES) Grant.

Effective Spring 2016, were as follows:

1. School Site:
 - a. ASES Site Coordinator ensures attendance for each student is determined appropriately daily.
 - b. ASES Site Coordinator reports attendance using an approved automated attendance tracking system weekly.
 - c. ASES Site Coordinator compiles monthly attendance an approved automated attendance tracking system for review.

2. ASES Provider:
 - a. ASES Provider reviews Monthly Attendance Reports to quality assurance.
 - b. ASES Provider conducts internal audits to test the accuracy & assures compliance.

3. ICEF Home Office:
 - a. ASES Provider submits Monthly Attendance Reports that have been reviewed and approved.
 - b. ASES Administrator will conduct Quarterly Quality Assurance Internal Audits to ensure compliance.
 - c. ASES Administrator will report accurate and audited attendance to CDE via the ASSIST website.
 - d. Chief Schools Officer (or a member of the Executive Team) shall certify every Semester the reportable attendance, in conjunction with the ASES Administrator.

In addition, during the Spring 2016, ICEF Public Schools conducted a full ASES Attendance Internal Audit that concluded with a revised First Half Attendance Report. The revised report was submitted to the California Department of Education via the ASSIST system before the year-end.

**ICEF PUBLIC SCHOOLS
AND ITS AFFILIATES**

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

There were no findings and questioned costs related to the basic financial statements, state awards, or federal awards for the year ended June 30, 2015.