



ANNUAL FINANCIAL REPORT

JUNE 30, 2017

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Equitas Academy Charter School, Inc.
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Equitas Academy Corporation, Inc. (the "Corporation") (A California Nonprofit Public Benefit Corporation), which operates Equitas Academy 1, 2, 3, and 4, which are comprised of the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the 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* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary 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. Such 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 Schedule of Expenditure of Federal Awards and other accompanying supplementary 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 November 30, 2017, on our consideration of the Corporation'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 Corporation'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 Corporation's internal control over financial reporting and compliance.

Vannink, Tein, Day & Co., LLP

Rancho Cucamonga, California
November 30, 2017

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	Equitas Academy 1	Equitas Academy 2	Equitas Academy 3
ASSETS			
Current Assets			
Cash	\$ 2,915,440	\$ 138,239	\$ 241,355
Accounts receivable	581,173	620,412	576,746
Prepaid expenses and other current assets	68,582	68,018	26,561
Total Current Assets	<u>3,565,195</u>	<u>826,669</u>	<u>844,662</u>
Non-Current Assets			
Security deposits	119,456	96,250	20,000
Long-Term Receivables	-	1,300,000	-
Fixed assets	770,896	592,547	367,757
Less: accumulated depreciation	(203,163)	(239,148)	(19,527)
Total Non-Current Assets	<u>687,189</u>	<u>1,749,649</u>	<u>368,230</u>
Total Assets	<u>\$ 4,252,384</u>	<u>\$ 2,576,318</u>	<u>\$ 1,212,892</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 277,046	\$ 156,971	\$ 265,335
Deferred revenue	-	-	-
Current portion of long-term obligations	-	149,452	62,508
Total Current Liabilities	<u>277,046</u>	<u>306,423</u>	<u>327,843</u>
Long-Term Obligations			
Non-current portion of long-term note	-	843,202	62,500
Total Liabilities	<u>277,046</u>	<u>1,149,625</u>	<u>390,343</u>
NET ASSETS			
Designated for Educator Effectiveness Fund	9,909	-	-
Temporarily restricted for construction			250,000
Unrestricted	3,965,429	1,426,693	572,549
Total Net Assets	<u>3,975,338</u>	<u>1,426,693</u>	<u>822,549</u>
Total Liabilities and Net Assets	<u>\$ 4,252,384</u>	<u>\$ 2,576,318</u>	<u>\$ 1,212,892</u>

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

Equitas Academy 4	CMO	Total
\$ 122,079	\$ 12,816	\$ 3,429,929
-	13,688	1,792,019
2,716	41,172	207,049
<u>124,795</u>	<u>67,676</u>	<u>5,428,997</u>
-	-	235,706
-	-	1,300,000
6,936	40,533	1,778,669
(694)	(19,018)	(481,550)
<u>6,242</u>	<u>21,515</u>	<u>2,832,825</u>
<u>\$ 131,037</u>	<u>\$ 89,191</u>	<u>\$ 8,261,822</u>
\$ 3,518	\$ 89,191	\$ 792,061
4,126	-	4,126
-	-	211,960
<u>7,644</u>	<u>89,191</u>	<u>1,008,147</u>
-	-	905,702
<u>7,644</u>	<u>89,191</u>	<u>1,913,849</u>
-	-	9,909
-	15,000	265,000
123,393	(15,000)	6,073,064
<u>123,393</u>	<u>-</u>	<u>6,347,973</u>
<u>\$ 131,037</u>	<u>\$ 89,191</u>	<u>\$ 8,261,822</u>

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Equitas Academy 1	Equitas Academy 2	Equitas Academy 3
REVENUES			
Local Control Funding Formula	\$ 4,202,304	\$ 3,621,791	\$ 1,721,703
Federal revenue	776,361	602,850	475,635
Other State revenue	1,053,252	866,753	402,636
Local revenue	169,907	252,103	52,101
Total Revenue	<u>6,201,824</u>	<u>5,343,497</u>	<u>2,652,075</u>
EXPENSES			
Program services			
Teacher salaries and benefits	2,567,262	2,054,288	893,492
Other student services	161,062	228,896	67,956
Educational programs	35,275	178,073	15,938
Student supplies	73,900	82,514	46,128
Student nutrition	460,888	339,916	162,747
Special education fee	65,558	57,842	76,934
Depreciation	63,899	115,030	12,143
Capital outlay	75,081	87,813	236,471
Subtotal	<u>3,502,925</u>	<u>3,144,372</u>	<u>1,511,809</u>
Management and general			
Clerical salaries and benefits	821,613	831,566	475,179
District supervisory fee	42,023	36,212	17,217
Occupancy	473,491	338,584	165,518
Insurance	-	-	-
Other sources and uses	-	15,230	499
Operating expenses	580,064	591,707	286,700
Subtotal	<u>1,917,191</u>	<u>1,813,299</u>	<u>945,113</u>
Total Expenses	<u>5,420,116</u>	<u>4,957,671</u>	<u>2,456,922</u>
CHANGE IN NET ASSETS	781,708	385,826	195,153
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-
NET ASSETS, BEGINNING OF YEAR	<u>3,193,630</u>	<u>1,040,867</u>	<u>377,396</u>
NET ASSETS, END OF YEAR	<u>\$ 3,975,338</u>	<u>\$ 1,426,693</u>	<u>\$ 572,549</u>

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

Equitas Academy 4	CMO	Temporarily Restricted Equitas Academy 3	Temporarily Restricted CMO	Elimination	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,545,798
80,249	-	-	-	-	1,935,095
-	28,318	-	-	-	2,350,959
-	2,143,291	250,000	15,000	(1,983,577)	898,825
<u>80,249</u>	<u>2,171,609</u>	<u>250,000</u>	<u>15,000</u>	<u>(1,983,577)</u>	<u>14,730,677</u>
121,672	638,642	-	-	(643,138)	5,632,218
-	-	-	-	-	457,914
-	3,401	-	-	(3,102)	229,585
-	1,956	-	-	(1,785)	202,713
-	-	-	-	-	963,551
-	-	-	-	-	200,334
694	7,108	-	-	-	198,874
160	5,030	-	-	-	404,555
<u>122,526</u>	<u>656,137</u>	<u>-</u>	<u>-</u>	<u>(648,025)</u>	<u>8,289,744</u>
52,613	851,254	-	-	(776,466)	2,255,759
-	-	-	-	-	95,452
-	3,447	-	-	-	981,040
-	62,834	-	-	-	62,834
859	-	-	-	-	16,588
22,303	612,937	-	-	(559,086)	1,534,625
<u>75,775</u>	<u>1,530,472</u>	<u>-</u>	<u>-</u>	<u>(1,335,552)</u>	<u>4,946,298</u>
<u>198,301</u>	<u>2,186,609</u>	<u>-</u>	<u>-</u>	<u>(1,983,577)</u>	<u>13,236,042</u>
(118,052)	(15,000)	-	-	-	1,229,635
-	-	250,000	15,000	-	265,000
241,445	-	-	-	-	4,853,338
<u>\$ 123,393</u>	<u>\$ (15,000)</u>	<u>\$ 250,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 6,347,973</u>

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Equitas Academy 1	Equitas Academy 2	Equitas Academy 3
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase (Decrease) in net assets	\$ 781,708	\$ 385,826	\$ 445,153
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities			
Depreciation expense	63,899	115,030	12,143
Loss on sale of capital assets	-	3,950	-
Changes in operating assets and liabilities			
(Increase) Decrease in accounts receivable	546,790	(122,340)	(341,647)
(Increase) Decrease in prepaid expenditures	(3,208)	(20,480)	(18,366)
Increase in deferred revenue	-	-	-
Increase (Decrease) in accounts payable	(34,103)	(206,336)	190,698
Net Cash Provided by (Used in) Operating Activities	<u>1,355,086</u>	<u>155,650</u>	<u>287,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(72,533)	(29,087)	(117,965)
Proceeds from the sale of capital assets	-	3,750	-
Net Cash Used in Investing Activities	<u>(72,533)</u>	<u>(25,337)</u>	<u>(117,965)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan principal payments	-	(224,667)	(62,496)
NET INCREASE (DECREASE) IN CASH	1,282,553	(94,354)	107,520
CASH, BEGINNING OF YEAR	<u>1,632,887</u>	<u>232,593</u>	<u>133,835</u>
CASH, END OF YEAR	<u><u>\$ 2,915,440</u></u>	<u><u>\$ 138,239</u></u>	<u><u>\$ 241,355</u></u>
Supplemental Cash Flow Disclosure			
Cash paid during the period for interest	<u><u>\$ -</u></u>	<u><u>\$ 15,230</u></u>	<u><u>\$ 499</u></u>

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

Equitas Academy 4	CMO	Total
\$ (118,052)	\$ -	\$ 1,494,635
694	7,108	198,874
-	-	3,950
-	(13,688)	69,115
(2,716)	(11,980)	(56,750)
4,126	-	4,126
3,518	1,859	(44,364)
<u>(112,430)</u>	<u>(16,701)</u>	<u>1,669,586</u>
(6,936)	(9,785)	(236,306)
-	-	3,750
<u>(6,936)</u>	<u>(9,785)</u>	<u>(232,556)</u>
<u>(250,000)</u>	<u>-</u>	<u>(537,163)</u>
(369,366)	(26,486)	899,867
491,445	39,302	2,530,062
<u>\$ 122,079</u>	<u>\$ 12,816</u>	<u>\$ 3,429,929</u>
<u>\$ 859</u>	<u>\$ -</u>	<u>\$ 16,588</u>

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - ORGANIZATION AND MISSION

Equitas Academy Charter School Inc. (the "Corporation") is a non-profit public benefit corporation which operates three existing charter schools and a fourth charter school that will open in fiscal year 2017-2018. The charter schools provide a structured, achievement-based community that prepares K-8 students to graduate from college preparatory high schools, four-year colleges, and universities.

Equitas Academy 1

Equitas Academy #1 petitioned through Los Angeles Unified School District ("LAUSD") for a charter and was reapproved on March 4, 2014, for a period of five years ending in June 30, 2019, and was approved by the California Department of Education on July 8, 2009.

Charter School number authorized by the State: 1093

The Charter School, located at 1700 West Pico Blvd, Los Angeles, California, opened in September 2009, and served approximately 440 students in kindergarten through fourth grade in fiscal year 2016-2017.

Equitas Academy 2

Equitas Academy #2 petitioned through LAUSD for a charter and was renewed on September 20, 2016, for a period of five years ending on June 30, 2022, and was approved by the California Department of Education on May 10, 2012.

Charter School number authorized by the State: 1402

The Charter School located at 2723 West 8th Street, Los Angeles, California, opened in September 2013, and served approximately 390 students in fifth through eighth grade in fiscal year 2016-2017.

Equitas Academy Charter 3

Equitas Academy #3 petitioned through LAUSD for a charter and was approved on March 4, 2014, for a period of five years ending in 2019, and was approved by the California Department of Education on May 8, 2014.

Charter School number authorized by the State: 1669

The Charter School now located at 631 S Commonwealth Avenue, Los Angeles, California, opened in September 2015, and served approximately 175 students in Kindergarten and first grade.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Equitas Academy Charter 4

Equitas Academy #4 petitioned through LAUSD for a charter and was approved on September 1, 2015, for a period of five years ending in 2021, and was approved by the California Department of Education on March 9, 2016. The charter school will begin operations on September 1, 2017, to serve up to 400 students in grades five through eight.

Charter School number authorized by the State: 1785

Charter Management Organization (CMO)

Administrative support provided to the individual schools and accounted for separately within the financial statements using an allocation based on student enrollment.

Other Related Entities

Pico Union Collective

On March 27, 2017, Pico Union Collective (the Collective), a separate 501(c)(3) nonprofit public benefit corporation was formed for the specific purpose to acquire, develop, own and lease property in support of the programs of Equitas Academy Charter School, Inc.

EQ3 LLC

On April 3, 2017, the Collective formed a separate Limited Liability Company named EQ3 LLC (the LLC) located at 1700 W. Pico Boulevard. The Collective is the sole member of the LLC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by the Corporation are described below to enhance the financial statements.

Financial Statement Presentation

The Corporation is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Corporation had no permanently restricted net assets as of June 30, 2017. In addition, the Corporation is required to present a statement of cash flows.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The Corporation uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions". During 2016-2017, the Corporation received \$265,000 in donor-restricted contributions.

Income Taxes

The Corporation is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2013 and forward may be audited by regulatory agencies; however, the Corporation is not aware of any such actions at this time.

The Corporation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash

For purposes of the Statement of Cash Flows, the Corporation considers all cash on hand and in banks.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2017, management had determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Prepaid Expenses / Security Deposit

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Corporation has reported prepaid items either when purchased or during the benefiting period. Security deposits represent amounts paid per the rental agreement of facilities that will not be returned within one year and are recorded as non-current assets.

Fixed Assets

It is the Corporation's policy to capitalize individual property and equipment purchases over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment 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. Furniture and equipment are depreciated using the straight-line method, over 3 to 5 years. Depreciation expense for the year ended June 30, 2017, was \$198,874.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the Corporation prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Corporation has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Certain grants received before the eligibility requirements are met are recorded as deferred revenue.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Corporation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

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 and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2017, the Corporation had a designated balance of \$9,909 related to the Educator Effectiveness Funds.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - CASH

Cash at June 30, 2017, consisted of the following:

	Equitas Academy 1	Equitas Academy 2	Equitas Academy 3	Equitas Academy 4	CMO	Total	Bank Balance
Deposits							
Cash on hand and in banks	\$ 2,915,440	\$ 138,239	\$ 241,355	\$ 122,079	\$ 12,816	\$ 3,429,929	\$ 3,635,335

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Corporation maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. At June 30, 2017, the Corporation's charter schools had a balance of \$2,885,335 in excess of FDIC insured limits. Management believes the Corporation's charter schools are not exposed to any significant risk related to cash.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted of the following:

	Equitas Academy 1	Equitas Academy 2	Equitas Academy 3	CMO	Total
Local Control Funding Formula	\$ 262,007	\$ 239,910	\$ 137,571	\$ -	\$ 639,488
Federal receivable	175,758	186,045	326,926	-	688,729
Other State receivable	102,536	148,710	88,579	-	339,825
Lottery	38,450	43,416	22,287	-	104,153
Local receivable	2,422	2,331	1,383	13,688	19,824
Total Accounts Receivable	\$ 581,173	\$ 620,412	\$ 576,746	\$13,688	\$ 1,792,019

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at June 30, 2017, consisted of the following:

	Equitas Academy 1	Equitas Academy 2	Equitas Academy 3	Equitas Academy 4	CMO	Total
Security deposits	\$ 119,456	\$ 96,250	\$ 20,000	\$ -	\$ -	\$ 235,706
Prepaid rent, insurance and other dues	68,582	68,018	26,561	2,716	41,172	207,049
Total	<u>\$ 188,038</u>	<u>\$ 164,268</u>	<u>\$ 46,561</u>	<u>\$ 2,716</u>	<u>\$ 41,172</u>	<u>\$ 442,755</u>

NOTE 6 - FIXED ASSETS

Fixed assets at June 30, 2017, consisted of the following:

	Equitas Academy 1	Equitas Academy 2	Equitas Academy 3	Equitas Academy 4	CMO	Total
Leasehold improvements	\$ 44,915	\$ 2,280	\$ -	\$ -	\$ -	\$ 47,195
Computer and equipment	218,320	532,640	53,551	6,936	40,533	851,980
Building improvements	447,517					447,517
Furniture	60,144	57,627	14,206	-	-	131,977
Work in Progress	-	-	300,000	-	-	300,000
Subtotal	<u>770,896</u>	<u>592,547</u>	<u>367,757</u>	<u>6,936</u>	<u>40,533</u>	<u>1,778,669</u>
Less: Accumulated depreciation	<u>(203,163)</u>	<u>(239,148)</u>	<u>(19,527)</u>	<u>(694)</u>	<u>(19,018)</u>	<u>(481,550)</u>
Total Fixed Assets	<u>\$ 567,733</u>	<u>\$ 353,399</u>	<u>\$ 348,230</u>	<u>\$ 6,242</u>	<u>\$ 21,515</u>	<u>\$ 1,297,119</u>

During the year ended June 30, 2017, \$198,874 was charged to depreciation expense.

NOTE 7 - LONG-TERM RECEIVABLE

The Corporation entered into a Promissory Note Agreement with ExED 13 Investment Fund, LLC in the amount of \$1,300,000. Payments of principal and interest under this Note are as follows: interest only, at the rate of one and one half percent (1.50%) per annum, shall be due and payable in arrears, commencing on December 1, 2014, (the Commencement Date) and continuing on the first (1st) day of each calendar month thereafter. Accrued and unpaid interest and principal shall be payable in arrears in successive monthly installments on the first day of each month, calculated based on a three hundred and sixty (360) calendar days, and all principal and accrued interest shall be due and payable on November 13, 2034, (the Maturity Date).

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	Equitas Academy 1	Equitas Academy 2	Equitas Academy 3	Equitas Academy 4	CMO	Total
Salaries and benefits	\$ 1,454	\$ 1,412	\$ 658	\$ 27	\$ 3,072	\$ 6,623
Compensated absences	8,168	15,185	14,845	1,563	44,286	84,047
Vendor payables	199,788	132,546	247,251	1,928	41,833	623,346
Due to LAUSD	-	-	200	-	-	200
Due to grantors	67,636	7,828	2,381	-	-	77,845
Total Accounts Payable	<u>\$ 277,046</u>	<u>\$ 156,971</u>	<u>\$ 265,335</u>	<u>\$ 3,518</u>	<u>\$ 89,191</u>	<u>\$ 792,061</u>

NOTE 9 - DEFERRED REVENUE

Deferred revenue at June 30, 2017, consisted of the following:

	Equitas Academy 4
Federal source	<u>\$ 4,126</u>

NOTE 10 - LONG TERM OBLIGATIONS

Charter School Revolving Loan Program

During the 2014-2015 fiscal year, Equitas Academy #2 applied for, and was accepted into the California Charter School Finance Authority Revolving Loan Program. The School received a loan in the amount of \$250,000. The loan bears an interest rate of .26 percent and will be repaid during the months of September, October, November, December, January, and March of each year. The loan is scheduled to be repaid over a period of three years and the repayments will be withheld from the apportionment payments due to the School. As of June 30, 2017, the balance outstanding is \$83,343.

The payments are as follows:

June 30, 2018	Principal	Interest	Total
	<u>\$ 83,343</u>	<u>\$ 154</u>	<u>\$ 83,497</u>

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

During the 2014-2015 fiscal year, Equitas Academy #3 applied for, and was accepted into the California Charter School Finance Authority Revolving Loan Program. The School received a loan in the amount of \$250,000. The loan bears an interest rate of .30 percent and will be repaid during the months of September, October, November, December, January, and March of each year. The loan is scheduled to be repaid over a period of three years and the repayments will be withheld from the apportionment payments due to the School. As of June 30, 2017, the balance outstanding is \$125,008.

The payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 62,508	\$ 318	\$ 62,826
2019	62,500	134	62,634
Total	<u>\$ 125,008</u>	<u>\$ 452</u>	<u>\$ 125,460</u>

During the 2015-2016 fiscal year, Equitas Academy #4 applied for, and was accepted into the California Charter School Finance Authority Revolving Loan Program. The School received a loan in the amount of \$250,000. The loan bears an interest rate of .57 percent and will be repaid during the months of September, October, November, December, January, and March of each year. The loan is scheduled to be repaid over a period of five years and the repayments will be withheld from the apportionment payments due to the School. As of June 30, 2017, the balance outstanding has been repaid.

ExED Promissory Note

On July 2014, Equitas Academy #2 entered into a Promissory Note from ExED for \$246,250. The term of the loan is not to exceed 40 months. Repayment of the loan began on September 1, 2014, and will continue through August 1, 2017. As of June 30, 2017, the outstanding balance \$13,973.

The payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	<u>\$ 13,973</u>	<u>\$ 27</u>	<u>\$ 14,000</u>

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

On November 11, 2014, Equitas Academy #2 entered into a loan agreement with ExED for \$1,000,000. Interest on the Principal amount shall accrue at a rate of one and one half percent (1.5%) per annum, computed on the basis of three hundred sixty five (365) day year. Repayment of the loan will begin on June 1, 2014 through August 1, 2020, (the Maturity Date). As of June 30, 2017, the outstanding balance \$895,338.

The payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 52,136	\$ 13,072	\$ 65,208
2019	52,923	12,285	65,208
2020	53,723	11,486	65,209
2021	736,556	5,439	741,995
Total	<u>\$ 895,338</u>	<u>\$ 42,282</u>	<u>\$ 937,620</u>

NOTE 11 - OPERATING LEASE

The Corporation entered into a facility lease agreement with PCSD 1700 Pico Blvd LLC, a California limited liability company for Equitas Academy #1. The term of the lease is for nineteen years commencing on July 1, 2012. Monthly payments of \$38,370 will be due on the 1st of every month.

Future lease payments are as follows:

Fiscal Year Ending June 30,	Operating Lease Payments
2018	\$ 474,254
2019	488,482
2020	537,330
2021	591,063
2022	650,169
2023-2027	4,366,283
2028-2031	5,345,571
Total	<u>\$ 12,453,152</u>

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The Corporation entered into a facility lease agreement with PCSD 2723 West 8th Street LLC, a California limited liability company for Equitas Academy #2. The term of the lease is for ten years commencing on July 1, 2015. Monthly payments of \$27,913 will be due on the 1st of every month.

Future lease payments are as follows:

Fiscal Year Ending June 30,	Operating Lease Payments
2018	\$ 334,950
2019	334,950
2020	334,950
2021	334,950
2022	334,950
2023-2025	1,401,785
Total	<u>\$ 3,076,535</u>

In 2016-2017, Equitas Academy entered into a lease agreement with Town House Retail Center, LP for sites located at 631, 637 and 633 S. Commonwealth Ave. The term of the lease shall commence on July 1, 2016, and shall end two years after the commencement date. The monthly payments for basic rent and parking will be \$12,500 and \$1,000 respectively.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Corporation's charter schools choose to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Corporation's charter schools have no plans to withdraw from this multi-employer plan.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Corporation's charter schools contribute to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. 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, 2016, total actuarial value of assets are \$170 billion, the actuarial obligation is \$267 billion, contributions from all employers totaled \$3.3 billion, and the plan is 63.7 percent funded. The Corporation's charter schools did not contribute more than five percent of the total contributions to the plan.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Corporation's charter schools contribute exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, Charter School, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the Corporation's charter schools' total contributions were \$480,824.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Corporation's charter schools. These payments consist of State General Fund contributions to CalSTRS in the amount of \$178,568 (8.828 percent of the Corporation's charter schools' salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - RISK MANAGEMENT

Workers' Compensation

For fiscal year 2016-2017, Equitas Academy Charter School, Inc. participated with Berkshire Hathaway Homestate Companies, and Alliant Insurance Services, Inc. for risk management services for workers' compensation insurance. The relationship between Equitas Academy Charter School, Inc., and Berkshire Hathaway Homestate Companies, and Alliant Insurance Services, Inc. is such that Berkshire Hathaway Homestate Companies, and the Alliant Insurance Services, Inc. is not considered a component unit of Equitas Academy Charter School, Inc. for financial reporting purposes.

During the year ended June 30, 2017, Equitas Academy Charter School, Inc. made payments of \$130,393 to Berkshire Hathaway Homestate Companies, and \$781 to Alliant Insurance Services, Inc. for services received. At June 30, 2017, Equitas Academy Charter School, Inc. had no recorded accounts receivable or accounts payable to the Alliant Insurance Services, Inc.

Liability Insurance

For fiscal year 2016-2017, Equitas Academy Charter School, Inc. participated with the Alliant Insurance Services, Inc. for risk management services for liability insurance. The relationship between Equitas Academy Charter School, Inc. and Alliant Insurance Services, Inc. is such that the Alliant Insurance Services, Inc. is not considered a component unit of the Corporation for financial reporting purposes.

During the year ended June 30, 2017, Equitas Academy Charter School, Inc. made payments of \$62,834 to Alliant Insurance Services, Inc. for services received. At June 30, 2017, Equitas Academy Charter School, Inc. had no recorded accounts receivable or accounts payable to the Hanover Insurance Group, Amwins Brokerage of Illinois Insurance, and Alliant Insurance Services, Inc.

NOTE 14 - CONTINGENCIES

Grants

The Corporation's charter 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 disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

The Corporation is not currently a party to any legal proceedings.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 - SUBSEQUENT EVENTS

Equitas Academy Charter School, Inc.'s (the "Corporation") management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through November 30, 2017, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions, other than those noted below, that would have a material impact on the current year financial statements.

Subsequently to June 30, 2017, Equitas Academy #3 has entered into an alternative agreement with LAUSD for space at Magnolia Elementary School. The estimated annual payments for the 2017-2018 year for use of the facilities are \$111,000.

The Corporation established Pico Union Collective (the "Collective") as a separate 501(c)(3) corporation to support the Corporation's charter schools. The Collective has applied for, and, on November 13, 2017, received, its own tax-exempt status. The Corporation controls the board of the Collective. The Collective, in turn, has established EQ3 LLC (the "LLC") to hold real estate assets that will be leased to the Corporation for school use upon completion. The Collective is the sole member of the LLC. The LLC has acquired property and is now developing the property (the "Project") for use as a school.

On October 13, 2017, the Corporation and the LLC closed a New Markets Tax Credit transaction with ExED Facilities XVI LLC ("ExED Lender") and US Bancorp Community Development Corporation ("USBCDC"). As part of the NMTC transaction, the Corporation made a capital contribution of \$882,985 to the Collective, which the Collective, in turn, invested in the LLC as equity for the Project. Separately, the Corporation made a leverage loan to USBCDC's investment fund, Twain Investment Fund 224, LLC (the "Investment Fund").

The Investment Fund used this loan, plus additional debt from Capital Impact Partners and an equity contribution from USBCDC to fund an equity contribution to ExED Lender that was intended to qualify as a "Qualified Equity Investment", entitling USBCDC to certain New Markets Tax Credits. ExED Lender used this equity contribution to fund a construction loan (the "Construction Loan") to the LLC in the amount of \$8,502,500. The Construction Loan was fully disbursed to the LLC at closing on October 13, 2017. The construction loan proceeds were used to acquire the future site of Equitas Academy #3. The loan proceeds were transferred from ExED Lender to the LLC under a loan agreement. The Corporation will start leasing the site from the LLC in September 2018. Until then, the LLC is making loan payments (using loan funds) to ExED Lender.

SUPPLEMENTARY INFORMATION

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through Los Angeles County Special Education Local Plan Area:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	14329	\$ 190,231
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected - Reallocation Funds	84.010	14981	430,767
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	4,793
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	30,785
Title V, Part B - Public Charter Schools Grant Program	84.282A	14941	294,399
Total U.S. Department of Education			<u>950,975</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Basic School Breakfast Program	10.553	13390	32,802
Especially Needy Breakfast	10.553	13526	175,839
National School Lunch Program	10.555	13524	495,877
Total Child Nutrition Cluster			<u>704,518</u>
Child Care Food Program	10.558	13393	272,581
Total U.S. Department of Agriculture			<u>977,099</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	7,021
Total Expenditures of Federal Awards			<u>\$ 1,935,095</u>

See accompanying note to supplementary information.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

Equitas Academy Charter, Inc. operated two elementary and one middle school and will be opening a fourth middle school in September 2017. All four schools are authorized by the Los Angeles Unified School District. The charters were granted on the dates listed below:

Equitas Academy 1 (Charter No. 1093) - July 2009
Equitas Academy 2 (Charter No. 1402) - May 2012
Equitas Academy 3 (Charter No. 1669) - March 2014
Equitas Academy 4 (Charter No. 1785) - March 2016

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Oliver Bajracharya	Chair	June 30, 2018
Brett Snyder	Treasurer	June 30, 2018
Alyssa Valentine	Secretary	June 30, 2018
Olympia Ammon	Member	June 30, 2019
Lindsay Phillips	Member	June 30, 2019
Jesse Creed	Member	June 30, 2019
Claudia Chung Sanii	Member	June 30, 2019
Aarthi Sowriajan	Member	June 30, 2019

ADMINISTRATION

Malka Borrego	Chief Executive Officer
Jon Host	Chief Operating Officer
Kelly Kilty	Chief Academic Officer
Mallory Kochmann	Equitas Academy 1 School Director
April Adams	Equitas Academy 2 School Director
Cristina Lowry	Equitas Academy 3 School Director

See accompanying note to supplementary information.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

Equitas Academy 1

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	321.28	320.58
Fourth	112.13	111.61
Total Regular ADA	<u>433.41</u>	<u>432.19</u>
Classroom based ADA		
Transitional kindergarten through third	320.94	320.15
Fourth	112.09	111.58
Total Classroom based ADA	<u>433.03</u>	<u>431.73</u>

Equitas Academy 1 operated a short-term non-classroom based independent study program.

Equitas Academy 2

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Fifth and sixth	217.61	216.61
Seventh and eighth	163.87	163.03
Total Regular ADA	<u>381.48</u>	<u>379.64</u>
Classroom based ADA		
Fifth and sixth	217.52	216.55
Seventh and eighth	163.85	163.01
Total Classroom Based ADA	<u>381.37</u>	<u>379.56</u>

Equitas Academy 2 operated a short-term non-classroom based independent study program.

See accompanying note to supplementary information.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

Equitas Academy 3

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through first	<u>168.93</u>	<u>168.33</u>
Classroom based ADA		
Transitional kindergarten through first	<u>168.42</u>	<u>167.96</u>

Equitas Academy 3 operated a short-term non-classroom based independent study program.

See accompanying note to supplementary information.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

Equitas Academy 1

Grade Level	1986-87	2016-17	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	77,220	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		73,620	180	N/A	Complied
Grade 2		73,620	180	N/A	Complied
Grade 3		73,620	180	N/A	Complied
Grade 4	54,000	73,620	180	N/A	Complied

Equitas Academy 2

Grade Level	1986-87	2016-17	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grade 5 - 6	54,000				
Grade 5		81,540	180	N/A	Complied
Grade 6		81,540	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		81,540	180	N/A	Complied
Grade 8		81,540	180	N/A	Complied

Equitas Academy 3

Grade Level	1986-87	2016-17	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	78,120	180	N/A	Complied
Grade 1		73,620	180	N/A	Complied

See accompanying note to supplementary information.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Corporation's charter schools and is presented on the 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 Corporation's charter schools have not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the schools boundaries, schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

These schedules present information on the amount of instructional time offered by the Corporation's charter schools and whether the Corporation's charter schools complied with provisions of *Education Code* Sections 46200 and 46206. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made through the Los Angeles County Office of Education to Equitas Academy Charter School, Inc.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Corporation's charter schools and whether the Corporation's charter schools complied with the provisions of *Education Code* Sections 46200 through 46206, if applicable.

The Corporation's charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**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***

Governing Board
Equitas Academy Charter School, Inc.
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Equitas Academy Charter School, Inc. (the "Corporation") (A California Nonprofit Public Benefit Corporation), which operates Equitas Academy 1, 2, 3, and 4, as of and for the year ended June 30, 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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.

Compliance and Other Matters

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

Varrink, Tein, Day & Co., LLP

Rancho Cucamonga, California
November 30, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Equitas Academy Charter School, Inc.
(A California Non-Profit Public Benefit Corporation)
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Equitas Academy Charter School, Inc.'s (the "Corporation") (A California Nonprofit Public Benefit Corporation), which operates Equitas Academy 1, 2, 3, and 4, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's charter schools' major Federal programs for the year ended June 30, 2017. The Corporation's charter 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 the 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 the Corporation's charter 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 the Corporation's charter 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 the Corporation's charter schools' compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation's charter 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, 2017.

Report on Internal Control Over Compliance

Management of the Corporation's charter 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 the Corporation's charter 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 the Corporation's charter 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 a 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.

Varrink, Tinn, Day & Co., LLP

Rancho Cucamonga, California
November 30, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Equitas Academy Charter School, Inc.
(A California Non-Profit Public Benefit Corporation)
Los Angeles, California

Report on State Compliance

We have audited Equitas Academy Charter School, Inc.'s (the "Corporation") (A California Nonprofit Public Benefit Corporation), which operates Equitas Academy 1, 2, 3, and 4, compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Corporation's charter school's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Corporation's charter schools' State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the Corporation's charter 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 opinions. Our audit does not provide a legal determination of the Corporation's charter schools' compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, the Corporation's charter schools' complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

Other Matters

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Mental Health Expenditures	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below
CHARTER SCHOOLS:	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

The Corporation's charter schools' did not have expenditures related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

The Corporation's charter schools' does not operate a before school program within the After School Education and Safety Program; therefore, we did not perform any related procedures.

The Corporation's charter schools' do not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

The Charter was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

ADA was below the threshold required for testing; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

Varrinck, Tim, Day & Co., LLP
Rancho Cucamonga, California
November 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

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

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

EQUITAS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings reported in the prior year's schedule of financial statement findings.