

Orange County Educational Arts Academy
A California Public Charter School

BOARD OF DIRECTORS
MEETING AGENDA

Regular Minutes

November 13, 2019

6:00 p.m. – Closed Session

7:00 p.m. – Open Session

OCEAA School Library

825 N. Broadway, Santa Ana, CA 92701

MINUTES

I. Call to Order 6:17 PM

A. Roll Call

Board Members

Dr. Kimberly Barraza Lyons, President
Dr. Alfonso Bustamante
Valerie Sullivan, Vice Chair
Scott Overpeck, Chair
Ben Stanphill, Secretary
Boris Molina

Present

Absent

X	
	X
	X
X	
X	
X	

Staff/Other

Kristin Collins, School Director (joined at 7:10 PM)
Janine McFarlin, Interim Controller
Mike Limon, Executive Director

X	
X	
X	

B. Approval of Agenda

II. Public Comment on Closed Session Items, If Any

No public comment

III. Adjourn to Closed Session 6:18 PM

A. Conference with Legal Counsel – Anticipated Litigation, Government Code sections 54954.5(c) & 54956.9 (d)(2).

B. Staff Evaluations/Privacy or Other Confidential Issues (Gov. Code Section 54957(b))

IV. Reconvene to Open Session and Report of Action from Closed Session, If Any 7:10 PM

No report

V. Public Comment

No public comment

VI. Board and Staff Reports

- A. Staff Reports
 - 1. School Director – Kristin Collins
 - 2. Executive Director – Mike Limon
- B. Operations Report –Janine McFarlin
- C. Board of Directors Reports

VII. Items for Consent

Action on the items below will be made in one motion unless removed from Consent by a Board member. Items removed from Consent will be considered in the original agenda order immediately following action on Consent.

- A. Approval of Minutes from September 2019 Board Meeting
- B. Approval of Minutes from October 2019 Board Meeting
- C. Approval of Minutes from October 30, 2019 Special Board Meeting
- D. Ratification of October 2019 Check Register

Action: Approve Consent Items Listed Above	Motion: BS Second: KL
	Vote: 4 for 0 against

VIII. Approve Updated Bylaws

Action: Approve updated bylaws	Motion: KL Second: BM
	Vote: 4 for 0 against

IX. Approve El Dorado Participation Agreement

Action: Approve El Dorado Participation Agreement	Motion: KL Second: BS
	Vote: 4 for 0 against

X. Approve 2018-2019 Audit Report

Action: Approve 2018-2019 Audit Report	Motion: BS Second: KL
	Vote: 4 for 0 against

XI. Items for Future Meetings

The next regularly scheduled meeting is on December 11, 2019.

XII. Adjournment

The meeting was adjourned at 7:52 PM.

OCEAA Board Update November 13, 2019

LCAP Goal 1: 100% Proficiency

❖ **Instructional Program & Achievement Updates** (K. Collins)

- Low Performing Student Block Grant (LPSBG) Update
 - The following data show achievement gains by the cohort of non EL, non SPED, non low income students who triggered the LPSBG funding. All students received supplemental Tier 2 and/or 3 interventions as coordinated by the MTSS team.
 - The grant money supported the purchase of Renaissance (STAR) Reading and Math subscriptions as well as a multi-year subscription to Educlimber, a data warehousing system that helps create comprehensive student learning profiles from a variety of databases, increasing the ability to create improved intervention monitoring.

Literacy (3 students)	Math (10 Students)
Avg DRA gain = 0.8 years	Avg STAR Math gain = 1.2 years
% increasing CAASPP Level score = 66%	% increasing CAASPP Level Score = 33%
% increasing CAASPP Scale Score = 100%	% increasing CAASPP Scale Score = 88%
Average Scale Score Increase = 97	Average Scale Score Increase = 53
Highest Scale Score Gain = 125	Highest Scale Score Gain = 151
Lowest Scale Score Gain = 46	Lowest Scale Score Gain = 27

- CA School Dashboard Local Indicators: Chronic Absenteeism, ELPAC, and Local Indicators preview reports are attached.
- Renewal Presentation (K. Collins & M. Limon)
- Student Led Conferences will be held on November 13th and 20th for all grades

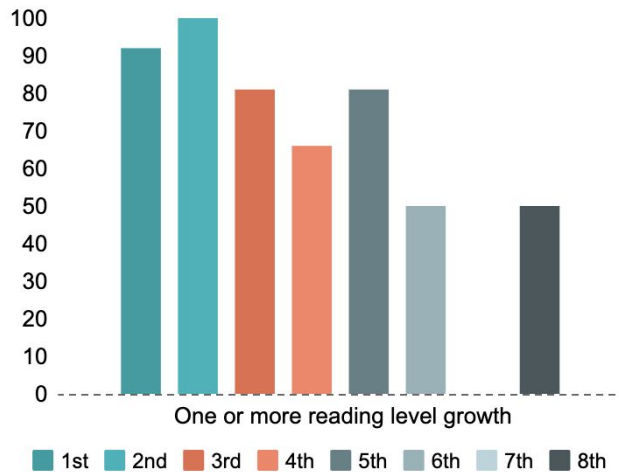
❖ **Literacy Team Report** (M. Carrera)

- Literacy team looked over trimester 1 DRA reading data and revised the RTI tiers in order to reflect all necessary changes (please see trimester 1 data below)
- New intervention groups were created based on data collected
- Literacy team is working on writing goals for Trimester 2 to share with parents and students during Student Led Conferences
 - 10 students were placed “on-watch” at the end of the first trimester because they made significant growth in reading- they will no longer be receiving pull out intervention
- Students are currently being referred to receive RTI support
- Literacy team is reviewing new referrals

- Literacy Coach will be observing students being referred to intervention starting November 13th

The following graph is a summary of the data collected for trimester 1. It shows the percentage of students in RTI per grade level that moved up one or more reading levels (as determined by the DRA):

Trimester 1 Intervention data



Looking Ahead:

- Goal setting meetings will be held during conferences to facilitate collaboration between parents, teachers, intervention teachers, and students, in order to ensure academic success
- Information for parents on how to better support literacy at home will be distributed to RTI students' parents
- Literacy team will continue working with teachers to adjust push in support to better meet student needs

❖ **Math Report** (N. Kubasek)

- PD was given on Friday November 1
 - Determined benchmark percentiles for teacher intervention and RTI intervention
 - Set parameters for data analysis and protocols for 6 week data cycles
- Universal Screeners were administered for BOY and will be administered for a second time by the end of November
 - All grades will meet with math coordinator the 1st week of December to initiate a 6 week intervention cycle

- Math survey was conducted with teachers and determined the focus for training this year -- FLUENCY
- Walkthroughs will be conducted in November to determine the percentage of classrooms implementing fluency routines
- Math clubs have started in 2nd, 3rd, 4th and 5th grade
- The 2019-2020 goal continues to be focused on creating a math structure from Eureka curriculum that includes: fluency, grapple problem (word problem), concept development and exit ticket

❖ **Arts Report** (E. Vicario)

- *Ritmos del Mundo* performance at SAHS November 7th
- Arts committee planning *Artspedition* with environmental theme.
- UCI Creative connections students will begin projects.
- Middle school theater class instructor has resigned effective Nov 21; replacement search is in progress

❖ **Professional Development**

- Nov 1 PD Day focused on staff crew and building a sustainable data culture (EL Core Practice 33); Sarah Purdy, EL School Designer, co-facilitated with Nicole and Marlyne
- Weds PD included crew planning, Eureka math implementation and biliteracy curriculum mapping

LCAP Goal 2: 100% Biliterate/Bilingual

❖ English Learner report (M. Bennett-Gee)

- ELPAC:
 - Field test of computer-based ELPAC was completed for 72 students in October 2019
 - Hardcopy Summative ELPAC materials (for TK-2nd grade Writing) were ordered on November 4th, 2019
 - Summative ELPAC score reports from 2018 are available to parents in the PowerSchool Portal. [Bilingual instructions for how to access them \(and the CAASPP reports\)](#) was shared with parents in the 11/4-8 Weekly Bulletin.
- Reclassifications:
 - Reviews of scores and grades for possible reclassification in Winter 2019 have begun.
- ELAC:

- The new Secretary, Mr. Ricardo Vásquez, has now been voted in and the 4 ELAC officials were trained by Richard Romero, OCDE Program Specialist of Educational Services, on November 5th, 2019

LCAP Goal 3 – 100% Safe, Healthy and Positive School Climate

- ❖ School Culture & Character Coordinator Update (J. Chavez)
 - Students AND parents were recognized during the November 8th Assembly
 - 2 students per class received character certificates
 - The following parents/ Staff members were recognized for having courage in either starting an organization or standing up for something/someone that they believe in: Leo Figueroa, Ricardo Vásquez, Jéssica Reyes, Janine McFarlin, Cathy Nowel, Claudia de la Torre

- ❖ A student Crew Leadership Committee, led by Ms. Chavez, has been created and recruitment is underway. Below is a description of the committee:

The Crew Leadership Committee is a leadership team comprised of students and teachers that will help you develop your leadership skills. This is a great experience that can help strengthen your personal development. A few of the tasks that you will help plan are:

- School events
- Make decision to help develop our school culture
- Make morning announcements
- Develop social initiatives based on the needs of our community
- Announcements during our monthly assemblies

LCAP Goal 4 – 100% Parent-School Partnerships

- ❖ Attendance - SART letters have been distributed and follow-up conferences are in progress.
- ❖ Successful Fall Festival and Coffee Chat participation
- ❖ 19 parents completed the charter petition feedback survey (12 Eng, 7 Span).
 - 68% (13/19) responded *I strongly agree with the description of OCEAA's 5 year educational program vision.*
 - 21% (4/19) responded *I agree with the description of OCEAA's 5 year educational program vision.*
 - 5% (1/19) responded *Neutral*
 - 5% (1/19) responded *I strongly disagree with the description of OCEAA's 5 year educational program vision.*

**BYLAWS
OF
ORANGE COUNTY EDUCATIONAL ARTS ACADEMY**

(A California Nonprofit Public Benefit Corporation)

**ARTICLE I
NAME**

Section 1. NAME. The name of this corporation is Orange County Educational Arts Academy.

**ARTICLE II
PRINCIPAL OFFICE OF THE CORPORATION**

Section 1. PRINCIPAL OFFICE OF THE CORPORATION. The principal office for the transaction of the activities and affairs of this corporation is 825 N. Broadway, Santa Ana, California. The Board of Directors may change the location of the principal office. Any such change of location must be noted by the secretary on these bylaws opposite this Section; alternatively, this Section may be amended to state the new location.

Section 2. OTHER OFFICES OF THE CORPORATION. The Board of Directors may at any time establish branch or subordinate offices at any place or places where this corporation is qualified to conduct its activities.

**ARTICLE III
GENERAL AND SPECIFIC PURPOSES; LIMITATIONS**

Section 1. GENERAL AND SPECIFIC PURPOSES. The purpose of this corporation is to manage, operate, guide, direct and promote the Orange County Educational Arts Academy ("Charter School") (a California public charter school). Also in the context of these purposes, the Corporation shall not, except to an insubstantial degree, engage in any other activities or exercise of power that do not further the purposes of the Corporation.

The Corporation shall be obligated to comply with the provisions of the Charter that created the Charter School and any attachments, exhibits, and/or appendices thereto, without regard to whether the corporation, the Charter School, or both entities is referenced or specifically listed or identified therein.

The Corporation shall not carry on any other activities not permitted to be carried on by: a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code; or (b) a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code. No substantial part of the activities of the Corporation shall consist of the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

**ARTICLE IV
CONSTRUCTION AND DEFINITIONS**

Section 1. CONSTRUCTION AND DEFINITIONS. Unless the context indicates otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, the singular includes the plural, and the plural includes the singular, and the term "person" includes both a legal entity and a natural person.

**ARTICLE V
DEDICATION OF ASSETS**

Section 1. DEDICATION OF ASSETS. This corporation's assets are irrevocably dedicated to public benefit purposes as set forth in the Charter School's Charter. No part of the net earnings, properties, or assets of the corporation, on dissolution or otherwise, shall inure to the benefit of any private person or individual, or to any director or officer of the corporation. Upon the winding up and dissolution of the corporation, after paying or adequately providing for the debts and obligations of the corporation (including any obligations requiring the return of grant funds on the dissolution of the corporation), any capital assets, including facilities or property, purchased in whole or in part with public funds will be distributed to the Santa Ana Unified School District. Any remaining assets of the corporation shall be distributed to either (i) such organization organized and operated exclusively for educational purposes which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (or the corresponding provision of any future United States Internal Revenue Law), or (ii) a state or political subdivision of a state of the United States to be used exclusively for public purposes.

**ARTICLE VI
CORPORATIONS WITHOUT MEMBERS**

Section 1. CORPORATIONS WITHOUT MEMBERS. This corporation shall have no voting members within the meaning of the Nonprofit Corporation Law.

**ARTICLE VII
BOARD OF DIRECTORS**

Section 1. GENERAL POWERS. Subject to the provisions and limitations of the California Nonprofit Public Benefit Corporation Law and any other applicable laws, and subject to any limitations of the articles of incorporation or bylaws, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors ("Board") The Board may delegate the management of the corporation's activities to any person(s), management company or committees, however composed, provided that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised wider the ultimate direction of the Board.

Section 2. SPECIFIC POWERS. Without prejudice to the general powers set forth in Section 1 of these bylaws, but subject to the same limitations, the Board of Directors shall have the

power to:

1. Appoint and remove, at the pleasure of the Board of Directors, all corporate officers, agents, and employees; prescribe powers and duties for them as are consistent with the law, the articles of incorporation, and these bylaws; fix their compensation; and require from them security for faithful service.
2. Change the principal office or the principal business office in California from one location to another.
3. Borrow money and incur indebtedness on the corporation's behalf and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.
4. Adopt and use a corporate seal.

Section 3. APPOINTED DIRECTORS. The number of directors shall be at a minimum five (5) and no more than nine (9), including any director appointed by the District Board of Education (the "District"), unless changed by amendments to these bylaws. All directors shall have full voting rights, including any representative appointed by the District as consistent with Education Code Section 47604(c). All directors, except for the representative(s) designated by the District, shall be appointed by the existing Board of Directors. No requirements for or restrictions on the appointment, service, or terms for removal of other members of the Charter School's Board of Directors shall apply to any District representative and such representative shall serve at the pleasure of and be removed only by the action of the District or the District's designee.

Section 4. RESTRICTION ON INTERESTED PERSONS AS DIRECTORS. No more than 49 percent of the persons serving on the Board of Directors may be interested persons. An interested person is (a) any person compensated by the corporation for services rendered to it within the previous 12 months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director, and any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or filth.er-in-law of such person. However, any violation of this paragraph shall not affect the validity or enforceability of transactions entered into by the corporation. The Board may adopt other policies circumscribing potential conflicts of interest.

Section 5. RESTRICTION ON DIRECTORS AS EMPLOYEES. All directors who will be employed by the Charter School, except those appointed by the District, shall resign from the Board of Directors so that no board members are employed by the Orange County Educational Arts Academy.

Section 6. DIRECTORS' TERMS. Each director shall hold office unless otherwise removed from office in accordance with these bylaws for two (2) years and until a successor director has been designated and qualified.

Section 6. NOMINATIONS BY COMMITTEE. The chairman of the Board of Directors or, if none, the president may appoint a committee to designate qualified candidates for appointment

to the Board of Directors at least thirty (30) days before the date of any appointment of directors. The nominating committee shall make its report at least seven (7) days before the date of the appointment for Board consideration of nominees or at such other time as the Board of Directors may set and the secretary shall forward to each Board member, with the notice of meeting required by these bylaws, a list of all candidates nominated by committee.

Section 7. USE OF CORPORATE FUNDS TO SUPPORT NOMINEE. No corporation funds may be expended to support a nominee without the Board's authorization.

Section 8. EVENTS CAUSING VACANCIES ON BOARD. A vacancy or vacancies on the Board of Directors shall occur in the event of (a) the death or resignation of any director, (b) the declaration by resolution of the Board of Directors of a vacancy in the office of a director, other than a director appointed by the District, who has been convicted of a felony, declared of unsound mind by a court order, or found by final order or judgment of any court to have breached a duty under California Nonprofit Public Benefit Corporation Law, Chapter 2, Article 3; or (c) the increase of the authorized number of directors.

Section 9. RESIGNATION OF DIRECTORS. Except as provided below, any director may resign by giving written notice to the chairman of the Board, if any, or to the president or the secretary of the Board. The resignation shall be effective when the notice is given less the notice specifies a later time for the resignation to become effective. If a director's resignation is effective at a later time, the Board of Directors may elect a successor to take office as of the date when the resignation becomes effective.

Section 10. DIRECTOR MAY NOT RESIGN IF NO DIRECTOR REMAINS. Except on notice to the California Attorney General, no director may resign if the corporation would be left without a duly elected director or directors.

Section 11. REMOVAL OF DIRECTORS. Any director, other than a director appointed by the District, may be removed, with or without cause, by the vote of the majority of the members of the entire Board of Directors at a special meeting called for that purpose, or at a regular meeting, provided that notice of that meeting and such removal are given in compliance with the provisions of the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Division 2 of Title 5 of the Government Code) as said chapter may be modified by subsequent legislation ("Brown Act"). The representative designated by the District may be removed without cause by the District or with the written consent of the District. Any vacancy caused by the removal of a director shall be filled as provided in Section 12.

Section 12. VACANCIES FILLED BY BOARD. Vacancies on the Board of Directors, except for the representative appointed by the District, may be filled by approval of the Board of Directors or, if the number of directors then in office is less than a quorum, by (1) the affirmative vote of a majority of the directors then in office at a regular or special meeting of the Board, or (2) a sole remaining director. A vacancy in the seat of the representative of the District shall be filled by the District.

Section 13. NO VACANCY ON REDUCTION OF NUMBER OF DIRECTORS. Any reduction of the authorized number of directors shall not result in any directors being removed before his or her term of office expires.

Section 13. PLACE OF BOARD OF DIRECTORS MEETINGS. Meetings shall be held at the principal office of the corporation. The Board of Directors may designate that a meeting be held at any place within the physical boundaries of the county in which the Charter School is located. All meetings of the Board of Directors shall be called, held and conducted in accordance with the terms and provisions of the Brown Act. A two-way teleconference location shall be established at each schoolsite. Electronic copies of all Board agendas (including all backup materials), and agendas (including all backup materials) of any other boards and committees to which the Brown Act applies, shall be provided to the District Superintendent or designee on or before the date required for posting of such agendas in compliance with the Brown Act.

Section 14. TELECONFERENCE MEETINGS. Members of the Board of Directors may participate in teleconference meetings so long as all of the following requirements in the Brown Act are complied with:

- a. At a minimum, a quorum of the members of the Board of Directors shall participate in the teleconference meeting from locations within the physical boundaries of the county in which the Charter School is located;
- b. All votes taken during a teleconference meeting shall be by roll call;
- c. If the Board of Directors elects to use teleconferencing, it shall post agendas at all teleconference locations with each teleconference location being identified in the notice and agenda of the meeting;
- d. All locations where a member of the Board of Directors participates in a meeting via teleconference must be fully accessible to members of the public and shall be listed on the agenda;¹
- e. Members of the public must be able to hear what is said during the meeting and shall be provided with an opportunity to address the Board of Directors directly at each teleconference location; and
- f. Members of the public attending a meeting conducted via teleconference need not give their name when entering the conference call.²

Section 15. MEETINGS; ANNUAL MEETINGS. All meetings of the Board of Directors and its committees shall be called, noticed, and held in compliance with the provisions of the Brown Act. The Board of Directors shall hold an annual meeting for purposes of organization, election of officers, and transaction of other business as may properly be brought before the meeting. This meeting shall be held at a time, date, and place as noticed by the Board of Directors in accordance with the Brown Act.

¹ This means that members of the Board of Directors who choose to utilize their homes or offices as teleconference locations must open these locations to the public and accommodate any members of the public who wish to attend the meeting at that location.

² The Brown Act prohibits requiring members of the public to provide their names as a condition of attendance at the meeting.

Section 16. REGULAR MEETINGS. Regular meetings of the Board of Directors, including annual meetings, shall be held at such times and places as may from time to time be fixed by the Board of Directors. At least 72 hours before a regular meeting, the Board of Directors, or its designee shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting.

Section 16. AUTHORITY TO CALL SPECIAL MEETINGS. Special meetings of the Board of Directors for any purpose may be called at any time by the Chairman of the Board, if there is such an officer, or a majority of the Board of Directors. If a Chairman of the Board has not been elected then the Vice-Chairman is authorized to call a special meeting in place of the Chairman of the Board. The party calling a special meeting shall determine the place, date, and time thereof.

Section 17. NOTICE OF SPECIAL MEETINGS. In accordance with the Brown Act, special meetings of the Board of Directors may be held only after twenty-four (24) hours notice is given to the public through the posting of an agenda. Directors shall also receive at least twenty-four (24) hours notice of the special meeting, in the following manner:

- a. Any such notice shall be addressed or delivered to each director at the director's address as it is shown on the records of the Corporation, or as may have been given to the Corporation by the director for purposes of notice, or, if an address is not shown on the Corporation's records or is not readily ascertainable, at the place at which the meetings of the Board of Directors are regularly held.
- b. Notice by mail shall be deemed received at the time a properly addressed written notice is deposited in the United States mail, postage prepaid. Any other written notice shall be deemed received at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or is actually transmitted by the person giving the notice by electronic means to the recipient. Oral notice shall be deemed received at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient whom the person giving the notice has reason to believe will promptly communicate it to the receiver.

The notice of special meeting shall state the time of the meeting, the place, and the general nature of the business proposed to be transacted at the meeting. No business, other than the business the general nature of which was set forth in the notice of the meeting, may be transacted at a special meeting.

Section 18. QUORUM. A majority of the directors then in office shall constitute a quorum. All acts or decisions of the Board of Directors will be by majority vote of the directors in attendance, based upon the presence of a quorum. Should there be less than a majority of the directors present at the inception of any meeting, the meeting shall be adjourned. Directors may not vote by proxy. The vote or abstention of each Board member present for each action taken shall be publicly reported.

Section 19. ADJOURNMENT. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of such adjournment to another time or place shall be given, prior to the time scheduled for the continuation of the meeting, to the directors who were not present at the time of the adjournment, and to the public in the manner prescribed by the Brown Act.

Section 20. COMPENSATION AND REIMBURSEMENT. Directors may not receive compensation for their services as directors or officers, only such reimbursement of expenses, as the Board of Directors may establish by resolution to be just and reasonable as to the Corporation at the time that the resolution is adopted.

Section 21. CREATION OF POWERS OF COMMITTEES. The Board, by resolution adopted by a majority of the directors then in office, may create one or more committees, each consisting of two or more directors and no one who is not a director, to serve at the pleasure of the Board. Appointments to committees of the Board of Directors shall be by majority vote of the authorized number of directors. The Board of Directors may appoint one or more directors as alternate members of any such committee, who may replace any absent member at any meeting. Any such committee shall have all the authority of the Board, to the extent provided in the Board of Directors' resolution, except that no committee may:

- (a) Fill vacancies on the Board of Directors or any committee of the Board;
- (b) Amend or repeal bylaws or adopt new bylaws;
- (c) Amend or repeal any resolution of the Board of Directors that by its express terms is not so amendable or subject to repeal; or
- (d) Create any other committees of the Board of Directors or appoint the members of committees of the Board;

The Board may also create one or more advisory committees composed of directors and non-directors. It is the intent of the Board to encourage the participation and involvement of faculty, staff, parents, students and administrators through attending and participating in open committee meetings. The Board may establish, by resolution adopted by a majority of the directors then in office, advisory committees to serve at the pleasure of the Board.

Section 22. MEETINGS AND ACTION OF COMMITTEES. Meetings and actions of committees of the Board of Directors shall be governed by, held, and taken under the provisions of these bylaws concerning meetings, other Board of Directors' actions, and the Brown Act, if applicable, except that the time for general meetings of such committees and the calling of special meetings of such committees may be set either by Board of Directors' resolution or, if none, by resolution of the committee. Minutes of each meeting shall be kept and shall be filed with the corporate records. The Board of Directors may adopt rules for the governance of any committee as long as the rules are consistent with these bylaws. If the Board of Directors has not adopted rules, the committee may do so. Electronic copies of all Board agendas (including all backup materials), and agendas (including all backup materials) of any other boards and committees to which the Brown Act applies, shall be provided to the District Superintendent or designee on or before the date required for posting of such agendas in compliance with the Brown Act.

Section 23. NON-LIABILITY OF DIRECTORS. No Director shall be personally liable for the debts, liabilities, or other obligations of this corporation.

Section 24. COMPLIANCE WITH LAWS GOVERNING STUDENT RECORDS.

The Charter School and the Board of Directors shall comply with all applicable provisions of the Family Education Rights Privacy Act ("FERPA") as set forth in Title 20 of the United States Code Section 1232g and attendant regulations as they may be amended from time to time.

Section 25. TRAINING OF DIRECTORS. All Board members shall at least annually, and all new Board members shall within one month of their appointment to the Board of Directors, receive professional training from an outside individual or entity (such as a law firm or other expert) on at least the following laws and requirements: the Ralph M. Brown Act, the Political Reform Act of 1974, Government Code Section 1090 *et seq.*, and the free schools guarantee of the California Constitution, Article IX, Section 5, Education Code Section 49010-49013, Government Code Section 905, and the California Code of Regulations, Title 5, Section 350 (including the procedures and requirements for investigating and responding to allegations of unlawful pupil fees). The Charter School shall maintain a permanent, public record of all such trainings, including a log of who attended each training, the date and length of the training, the identity of the person providing the training and his/her qualifications, and a copy of all written materials provided as part of the training. All such trainings shall be conducted in accordance with the Brown Act, as applicable.

ARTICLE VIII OFFICERS OF THE CORPORATION

Section 1. OFFICES HELD. The officers of this corporation shall be a president, a secretary, and a chief financial officer. The corporation, at the Board's direction, may also have a chairman of the Board and a vice-chair. The officers in addition to the corporate duties set forth in this Article VIII shall also have administrative duties as set forth in any applicable contract for employment or job specification.

Section 2. DUPLICATION OF OFFICE HOLDERS. Any number of offices may be held by the same person, except that neither the secretary nor the chief financial officer may serve concurrently as either the president or the chairman of the Board.

Section 3. ELECTION OF OFFICERS. The officers of this corporation shall be chosen annually by the Board of Directors and shall serve at the pleasure of the Board, subject to the rights of any officer under any employment contract.

Section 4. REMOVAL OF OFFICERS. Without prejudice to the rights of any officer under an employment contract, the Board of Directors may remove any officer with or without cause.

Section 5. RESIGNATION OF OFFICERS. Any officer may resign at any time by giving written notice to the Board. The resignation shall take effect on the date the notice is received or at any later time specified in the notice. Unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to any rights of the corporation under any contract to which the officer is a party.

Section 6. VACANCIES IN OFFICE. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these bylaws for normal appointment to that office, provided, however, that vacancies need not be

filled on an annual basis.

Section 7. CHAIRMAN OF THE BOARD. If a chairman of the Board of Directors is elected, he or she shall preside at the Board of Directors' meetings and shall exercise and perform such other powers and duties as the Board of Directors may assign from time to time. If a chairman of the Board of Directors is elected, there shall also be a vice-chairman of the Board of Directors. In the absence of the chairman, the vice-chairman shall preside at Board of Directors meetings and shall exercise and perform such other powers and duties as the Board of Directors may assign from time to time.

Section 8. PRESIDENT. The president shall be the general manager of the corporation and shall supervise, direct, and control the corporation's activities, affairs, and officers as fully described in any applicable employment contract, agreement, or job specification. The president shall have such other powers and duties as the Board of Directors or the bylaws may require.

Section 9. SECRETARY. The secretary shall keep or cause to be kept, at the corporation's principal office or such other place as the Board of Directors may direct, a book of minutes of all meetings, proceedings, and actions of the Board, and of committees of the Board. The minutes of meetings shall include the time and place that the meeting was held; whether the meeting was annual, regular, special, or emergency and, if special or emergency, how authorized; the notice given; the names of persons present at Board of Directors and committee meetings; and the vote or abstention of each Board member present for each action taken..

The secretary shall keep or cause to be kept, at the principal California office, a copy of the articles of incorporation and bylaws, as amended to date.

The secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board of Directors that these bylaws require to be given. The secretary shall keep the corporate seal, if any, in safe custody and shall have such other powers and perform such other duties as the Board of Directors or bylaws may require.

Section 10. CHIEF FINANCIAL OFFICER. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the corporation's properties and transactions. The chief financial officer shall send or cause to be given to directors such financial statements and reports as are required to be given by law, by these bylaws, or by the Board. The books of account shall be open to inspection by any director at all reasonable times.

The chief financial officer shall (i) deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the Board of Directors may designate; (ii) disburse the corporation's funds as the Board of Directors may order; (iii) render to the president, chairman of the Board, if any, and the Board, when requested, an account of all transactions as chief financial officer and of the financial condition of the corporation; and (iv) have such other powers and perform such other duties as the Board, contract, job specification, or the bylaws may require.

If required by the Board, the chief financial officer shall give the corporation a bond in the amount and with the surety or sureties specified by the Board of Directors for faithful performance of the duties of the office and for restoration to the corporation of all of its books, papers, vouchers,

money, and other property of every kind in the possession or under the control of the chief financial officer on his or her death, resignation, retirement, or removal from office.

ARTICLE IX CONTRACTS WITH DIRECTORS

Section 1. **CONTRACTS WITH DIRECTORS.** The Corporation shall not enter into a contract or transaction in which a director directly or indirectly has a material financial interest (nor shall the Corporation enter into any contract or transaction with any other corporation, firm, association, or other entity in which one or more of the Corporation's directors are directors and have a material financial interest).

ARTICLE X CONTRACTS WITH NON-DIRECTOR DESIGNATED EMPLOYEES

Section 1. **CONTRACTS WITH NON-DIRECTOR DESIGNATED EMPLOYEES.** The Corporation shall not enter into a contract or transaction in which a non-director designated employee (e.g., officers and other key decision-making employees) directly or indirectly has a material financial interest unless all of the requirements in the Corporation's Conflict of Interest Code have been fulfilled.

ARTICLE XI LOANS TO DIRECTORS AND OFFICERS

Section 1. **LOANS TO DIRECTORS AND OFFICERS.** This corporation shall not lend any money or property to or guarantee the obligation of any director or officer; provided, however, the corporation may advance money to a director or officer of the corporation for expenses reasonably anticipated to be incurred in the performance of his or her duties if that director or officer would be entitled to reimbursement for such expenses of the corporation.

ARTICLE XII INDEMNIFICATION

Section 1. **INDEMNIFICATION.** To the fullest extent permitted by law, this corporation shall indemnify its directors, officers, employees, and other persons described in Corporations Code Section 5238(a), including persons formerly occupying any such positions, against all judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that section, and including an action by or in the right of the corporation by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in that section of the Corporations Code.

On written request to the Board of Directors by any person seeking indemnification under Corporations Code section 5238 (b) or section 5238 (c) the Board of Directors shall promptly decide under Corporations Code Section 5238 (e) whether the applicable standard of conduct set forth in Corporations Code Section 5238 (b) or Section 5238 (c) has been met and, if so, the Board of Directors shall authorize indemnification

ARTICLE XIII INSURANCE

Section 1. INSURANCE. This corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents, to cover any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising from the officer's, director's, employee's, or agent's status as such.

ARTICLE XIV MAINTENANCE OF CORPORATE RECORDS

Section 1. MAINTENANCE OF CORPORATE RECORDS. This corporation shall keep:

- (a) Adequate and correct books and records of account;
- (b) Written minutes of the proceedings of the Board and committees of the Board; and
- (c) Such reports and records as required by law.

ARTICLE XV INSPECTION RIGHTS

Section 1. DIRECTORS' RIGHT TO INSPECT. Every director shall have the right at any reasonable time to inspect the corporation's books, records, documents of every kind, physical properties, and the records of each subsidiary as permitted by California and federal law. The right of inspection includes the right to copy and make extracts of documents as permitted by California and federal law. This right to inspect may be circumscribed in instances where the right to inspect conflicts with California or federal law (e.g., restrictions on the release of educational records under FERPA) pertaining to access to books, records, and documents.

Section 2. MAINTENANCE AND INSPECTION OF ARTICLES AND BYLAWS. This corporation shall keep at its principal California office the original or a copy of the articles of incorporation and bylaws, as amended to the current date, which shall be open to inspection by the members at all reasonable times during office hours.

ARTICLE XV REQUIRED REPORTS

Section 1. ANNUAL REPORTS. The Board of Directors shall cause an annual report to be sent to the itself (the members of the Board of Directors) within 120 days after the end of the corporation's fiscal year. That report shall contain the following information, in appropriate detail:

- (a) The assets and liabilities, including the trust funds, or the corporation as of the end of the fiscal year;
- (b) The principal changes in assets and liabilities, including trust funds;
- (c) The corporation's revenue or receipts, both unrestricted and restricted to particular

purposes;

- (d) The corporation's expenses or disbursement for both general and restricted purposes;
- (e) Any information required under these bylaws; and
- (f) An independent accountant's report or, if none, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the corporation's books and records.

Section 2. ANNUAL STATEMENT OF CERTAIN TRANSACTIONS AND INDEMNIFICATIONS. The Corporation will comply with Corporations Code section 6322.

ARTICLE XVI CONFLICTS

Section 1. COMPLIANCE WITH CONFLICTING LAWS. The Board of Directors may initiate and carry on any program or activity or may otherwise act in any manner which is not in conflict with or inconsistent with or preempted by any law and which is not in conflict with the purposes for which schools are established. Notwithstanding any conflict in the corporation's Articles of Incorporation or these Bylaws or the law controlling non-profit corporations, all business of the corporation and its Board of Directors shall comply with all laws controlling charter schools. The corporation shall comply with Government Code Section 1090 *et seq.*, as set forth in Education Code Section 47604.1, the Political Reform Act of 1974 (Government Code Section 81000 *et seq.*), and any attendant regulations as they may be amended from time to time, (including but not limited to, the adoption of a conflict of interest code and designation of officials and reporting categories as required by the Political Reform Act) and any other applicable conflict of interest prohibitions, including prohibitions applicable to California non-profit corporations. In the event that the laws/rules/provisions of Government Code Section 1090 *et seq.*, as set forth in Education Code Section 47604.1, and the Political Reform Act of 1974 permit an action or means of taking action that is restricted or prohibited by other conflict of interest statutes' laws/rules/provisions, the most restrictive laws/rules/provisions shall control.

Section 2. CONFLICTS OF INTEREST TRAINING. The Board of Directors shall annually attend in service-training for the purpose of training individual Board members on their responsibilities. Topics shall include at a minimum Conflicts of Interest and the Brown Act.

Section 3. CONFLICTS IN OPERATING POLICIES. In the event of a conflict between the requirements of the Charter that created the Orange County Educational Arts Academy and provisions of the corporation's Articles of Incorporation or these Bylaws, action taken in accordance with such Articles or Bylaws which conflicts with or is inconsistent with the requirements of the Charter shall be deemed a violation of the Charter. In the event of such a conflict, the Board of Directors shall take prompt action to revise the Articles of Incorporation or these Bylaws to make them consistent with the requirements of the Charter or seek a material revision to the Charter to make the Articles of Incorporation, Bylaws, and Charter consistent. The corporation shall provide written notice to the District Superintendent or designee of any proposed revisions to the Articles of Incorporation and/or Bylaws no less than three (3) weeks prior to consideration of adoption of the revision(s) by the corporate Board of Directors. Should the District Superintendent or designee indicate that the District considers the proposed revision(s) to be material revisions to the Charter

School's governance structure and/or Charter, the corporation may not formally adopt such revision(s) unless and until the revision(s) is first approved through the process set forth in Education Code Section 47607 for material revision to the Charter. Should the corporation adopt revision(s) to its Articles of Incorporation and/or Bylaws in accordance with these requirements, it shall provide a final copy of the revised document to the District within three business days of the adoption of such revision(s).

**ARTICLE XVII
BYLAW AMENDMENTS**

The Board of Directors may adopt, amend or repeal any of these Bylaws by a majority of the directors present at a meeting duly held at which a quorum is present, except that no amendment shall change any provisions of the Charter that created the Orange County Educational Arts Academy or make any provisions of these Bylaws inconsistent with that Charter, the corporation's Articles of Incorporation, or any laws.

**ARTICLE XVIII
FISCAL YEAR**

Section I. FISCAL YEAR OF THE CORPORATION. The fiscal year of the Corporation shall begin on July 1st and end on June 30th of each year.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting Secretary of Orange County Educational Arts Academy, a California nonprofit public benefit corporation; that these bylaws, consisting of [redacted] pages, are the bylaws of this corporation as adopted by the Board of Directors on [redacted], 2019; and that these bylaws have not been amended or modified since that date.

Executed on [redacted] at [redacted], California.

Ben Stanphill, Secretary



AGREEMENT FOR PARTICIPATION EL DORADO CHARTER SELPA

This Agreement for Participation (“Agreement”) is entered into by and between the El Dorado Charter SELPA (“SELPA”), the El Dorado County Office of Education (“EDCOE”), and _____ (“LEA”), a California public charter school, collectively referred to as the “Parties.”

RECITALS

WHEREAS, each special educational local plan area is required to administer local plans submitted pursuant to Education Code section 56205 et seq., administer the allocation of funds pursuant to Education Code section 56836 et seq., and ensure that it has in effect policies, procedures, and programs that are consistent with state laws, regulations, and policies governing certain aspects of special education;

WHEREAS, a charter school that is deemed a local educational agency for purposes of special education is required to participate in an approved local plan pursuant to Education Code section 56195.1(f);

WHEREAS, LEA is a charter school that is deemed a local educational agency for purposes of special education pursuant to Education Code section 47641 and is responsible for complying with all provisions of the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.) and implementing regulations as they relate to local educational agencies;

WHEREAS, the SELPA as authorized by the California State Board of Education serves as the special educational local plan area for California charter schools deemed local educational agencies pursuant to Education Code section 47641 that have successfully completed the SELPA membership process and have signed this Agreement for Participation (“Agreement”);

WHEREAS, EDCOE is designated in the local plan as the “responsible local agency” for the SELPA, which means the administrative entity, the duties of which shall include, but are not limited to, receiving and distributing state and federal special education funds pursuant to the allocation plan, providing administrative support, and coordinating implementation of the plan;

WHEREAS, the actions and decisions of the parties are guided by the values of:

1. Commitment – maintaining high standards for performance in student achievement, operations, governance and finance;
2. Integrity – adherence to moral and ethical principles in all aspects of the work;
3. Fairness – impartial and just treatment of all stakeholders;
4. Partnership – collaborative decision making and accountability;
5. Knowledge – understanding of charter school law and practice; and
6. Transparency- access to the information, decisions, and actions of the organization;

WHEREAS, the purpose of this agreement is to set forth the various responsibilities of LEA, EDCOE, and SELPA to ensure that all charter pupils with exceptional needs within the SELPA receive appropriate special education programs.

NOW, THEREFORE, IT IS HEREBY AGREED between the parties hereto as follows:

1. **SHARED COMMITMENTS**

- 1.1. **Resource Allocation.** Parties shall demonstrate commitment to the promises set forth in this Agreement by allocating appropriate resources.
- 1.2. **Standard of Conduct.** Parties, at all times, shall conduct themselves in such a manner as to act in the best interests of all other SELPA members. LEA shall not engage in any activity or enterprise which would tend to injure or expose the SELPA or any of its members to any significant risk of harm or injury of any kind.
- 1.3. **Compliance.** All parties to this agreement shall identify and comply with applicable laws, regulations, policies, procedures and generally accepted standards. Each party will address any identified compliance gaps in a responsible and timely fashion.
- 1.4. **Continual Improvement.** Parties are expected to continually improve by setting performance objectives, executing plans and taking necessary corrective actions for deficiencies identified by any and all internal and/or external assessments.
- 1.5. **Accuracy of Business Records.** Parties shall ensure that any and all financial books and records conform to generally accepted accounting principles and state reporting requirements. Records must be accurate in all material respects. Records must be legible, transparent, and reflect actual transactions and payments and be open to inspection by the other party upon a reasonable request.
- 1.6. **Accuracy of Student Records.** Parties shall ensure that any and all student records conform to prescribed formats. Records must be legible, transparent, reflect actual transactions and payments, and be accurate in all material respects. Records must be open to inspection and review by other parties with legitimate educational interest upon a request.
- 1.7. **Documentation.** Parties shall maintain documentation necessary to demonstrate compliance with this Agreement and compliance with applicable state and federal statutes and regulations.
- 1.8. **Local and Allocation Plans.** Parties agree to the provisions of the Local and Allocation Plans as updated and approved by the CEO Council.
- 1.9. **Provision of Free and Appropriate Public Education.** The LEA is solely responsible for the provision of special education programs and services to eligible students enrolled in the LEA. The Parties understand and agree that the SELPA or EDCOE shall have no responsibility for the operation of any direct educational program service of any kind, that the SELPA has no duty or authority to provide FAPE to individual students, and that the SELPA has no duty or authority to make decisions regarding the educational programming of students enrolled in the LEA.

2. **LEA RESPONSIBILITIES**

- 2.1 **Programs and Services.** The LEA is solely and exclusive responsible for the following mandated activities in order to operate its special education programs and services for students enrolled in the LEA. As such, the LEA shall:

- 2.1.1. Select, employ, compensate, and determine the duties of, or establish appropriate contracts for the provision of, special education teachers, instructional aides, and other personnel as required to conduct the program specified in the Local Plan, and in compliance with state and federal mandates.
 - 2.1.2. Conduct and/or contract those programs operated by the LEA in conformance with the Local Plan and the state and federal mandates.
 - 2.1.3. Organize and administer the activities of the IEP teams, including the selection of the LEA staff and who will serve as members of the IEP team in conformance with Education Code Section 56341 and in compliance with the Local Plan.
 - 2.1.4. Develop and implement program objectives and the evaluation of the program effectiveness.
 - 2.1.5. Communicate with the parents and/or legal guardians of students in conformance with laws, regulations and the provisions of the Local Plan.
 - 2.1.6. Provide for the documentation and reporting of assessment procedures used for the placement of individuals and the security thereof.
 - 2.1.7. Provide for the continuous review of placements and the assessment procedures employed to insure their effectiveness and applicability, and insure the continued implementation and compliance with eligibility criteria.
 - 2.1.8. Provide for the integration of students with disabilities into the general education school programs and provide for evaluating the results of such integration according to specifications of the Local Plan.
 - 2.1.9. Conduct the review of individual placements requested by the parents and/or legal guardians of the student in accordance with the Local Plan.
 - 2.1.10. Prepare and submit all required reports, including reports on student enrollment, program expenditures, and program evaluation.
- 2.2. Fiscal Responsibilities. Receive and expend special education funding in accordance with the Charter SELPA Allocation Plan.
 - 2.3. Restricted Funds. As a condition of membership and participation in the SELPA, LEA warrants and represents that at no time during the term of this Agreement and LEA's membership and participation in the SELPA shall the LEA, directly or indirectly, provide special education funding for the benefit of a for-profit entity. All funding provided through the Charter SELPA shall be treated as a restricted funding source to be expended only for special education or special education services. Nothing contained herein shall be interpreted as prohibiting any LEA from expending funds to contract with a state-certified nonpublic agency/school for the benefit of children served, in accordance with the approved master contract and individual services agreements as provided for in federal and state law.

- 2.4. Audit Report. Annually provide the SELPA with the LEA’s annual, independent financial audit report, on or before December 20th each year, unless an extension has been granted by the State Controller’s Office, in which case an extension will be granted to the charter as well. LEA further agrees to provide SELPA copies of any and all State Controller’s Office communications regarding audit report corrective actions and a corrected audit report, if applicable. Should an LEA be the subject of an investigation by any federal, state, or local agency, including but not limited to the Fiscal Crisis Management and Assistance Team (“FCMAT”) arising out of or related to allegations of fiscal mismanagement, failure to meet generally accepted accounting principles, or any violation of a provision of law, the LEA shall immediately notify SELPA and provide the SELPA with a copy of any written correspondence related thereto.
- 2.5. Membership Responsibilities. Adhere to governance structure within SELPA Local Plan and Policies including designating appropriate representatives to serve on required councils and committees; ensure appropriate LEA representatives attend and participate in SELPA governance meetings as set forth in the Local Plan, Policies and Procedures.
- 2.6. Management Decisions. Consistent with this Agreement, LEA shall have full and exclusive authority and responsibility for classifying employment positions within their LEA. The managerial prerogatives of any participating LEA member shall not be infringed upon by any other participating LEA member except upon mutual consent of an affected LEA member(s), or unless as otherwise set forth. LEA shall not undertake to independently act on behalf of the SELPA or any of its members without express written authorization of the SELPA.
- 2.7. Participation. Ensure appropriate LEA representatives attend and participate in SELPA governance meetings and committees as set forth in the Local Plan, Policies and Procedures.
- 2.8. Reporting Requirements. Submit all required federal, state and SELPA reports and data requests in the prescribed format and at the specified due date. Upon written request by the SELPA, LEA shall provide any requested information, documents, writings, or information of any sort without delay, except as otherwise prohibited by law.
- 2.9. Indemnification and Hold Harmless. To the fullest extent allowed by law, LEA agrees to defend, indemnify, and hold harmless the SELPA and its individual other members, EDCOE, the El Dorado County Superintendent of Schools, and each of their respective directors, officers, agents, employees, and volunteers (the Indemnified Parties), from any claim or demand, damages, losses or expenses (including, without limitation, reasonable attorney fees) that arise in any manner from an actual or alleged failure by LEA to fulfill one or more of the LEA member’s obligations except to the extent that such suit arises from the SELPA, EDCOE, or the El Dorado County Superintendent of Schools’ negligence.

3. SELPA DUTIES AND RESPONSIBILITIES

- 3.1 Services. In order to accomplish the goals set forth in the Local Plan, SELPA shall provide the following services and activities for the LEA:

- 3.1.1. Receive, compile, and submit required enrollment reports and compute all special education apportionments; receive data from LEA to compile and submit budgets for the programs and monitor the fiscal aspects of the program conducted, and receive the special education apportionments as authorized by applicable law.
 - 3.1.2. Maintain SELPA policies and procedures for referring and placing individuals with exceptional needs who are enrolled in the LEA, including the methods and procedures for communication with the parents and/or guardians of the students according to SELPA Local Plan, Policies and Procedures.
 - 3.1.3. Coordinate the organization and maintenance of the Special Education Community Advisory Committee (“CAC”) to coordinate the implementation of the Local Plan and provide for the attendance of designated members of the SELPA’s staff at all regularly scheduled CAC meetings as required by law.
 - 3.1.4. Coordinate community resources with those provided by LEA and SELPA, including providing such contractual agreements as may be required.
 - 3.1.5. Coordinate state Quality Assurance Process.
 - 3.1.6. Provide alternative dispute resolution supports and services.
 - 3.1.7. Develop interagency referral and placement procedures.
 - 3.1.8. Provide regular personnel development training sessions for LEA staff responsible for administering or delivering special education programs and services.
 - 3.1.9. Provide the method and forms to enable the LEA to report to the SELPA on student enrollment and program expenditures. Establish and maintain a pupil information system.
 - 3.1.10. Provide reasonable and appropriate technical assistance and information to the LEA upon request from LEA administration, including but not limited to:
 1. Evidenced Based Practices;
 2. Program Development and Improvement;
 3. Individual cases;
 4. State complaints;
 5. Requests for due process mediation and hearing; and
 6. Appropriate programs and services for specific pupils.
 - 3.1.11. Perform other services reasonable and necessary to the administration and coordination of the Local Plan.
- 3.2. Governance. Organize and maintain the governance structure of the Local Plan including various committees and councils to monitor the operations of the SELPA and make recommendations for necessary revisions, including, but not limited to, the Local Plan, Allocation Plan and Policies.

- 3.3. Data Reporting. Establish and maintain methods, timelines and forms to submit required federal, state and SELPA reports.
- 3.4. Public Meetings. Schedule public meetings for purposes of governance activities and adopting the Annual Service Plan and Budget Plan.
- 3.5. Fiscal Responsibilities. Receive, distribute, and oversee the expenditure of special education funds in accordance with federal and state regulations and the SELPA Allocation Plan.
- 3.6. Indemnification and Hold Harmless. The SELPA shall be held harmless and indemnify EDCOE and the El Dorado County Superintendent of Schools for any costs of any kind or nature arising out of or related to this agreement other than as specifically contemplated herein, except to the extent that such cost arises from EDCOE and the El Dorado County Superintendent of Schools' negligence.

4. EDCOE DUTIES AND RESPONSIBILITIES

- 4.1. The Parties understand that EDCOE is designated in the Local Plan as the "responsible local agency" for the SELPA. EDCOE shall receive and distribute state and federal special education funds pursuant to the Allocation Plan, provide administrative support, and coordinate implementation of the Local Plan in accordance with state and federal law.
- 4.2. EDCOE shall not be responsible for any LEA or SELPA obligations or duties of any kind or nature except as explicitly set forth in this agreement.

5. TERMINATION OF THIS AGREEMENT AND PARTICIPATION IN SELPA

- 5.1. LEA may terminate this Agreement and participation in the SELPA in its sole discretion at the end of the fiscal year next occurring after having provided prior written notice to the SELPA, as follows:
 - 5.1.1. Prior initial written notice of intended termination to the SELPA at least twelve (12) months and one (1) day in advance of date of termination; and
 - 5.1.2. Final written notice of termination to the SELPA no more than six (6) months after the LEA's initial notice of intended termination.
- 5.2. The SELPA may initiate and complete termination of this Agreement and LEA's participation in the SELPA in its sole discretion in accordance with the process and standards in SELPA Policies. The SELPA will provide prior written notice to the LEA at least twelve (12) months as follows:
 - 5.2.1. Prior initial written notice of intended termination to the LEA at least twelve (12) months and one (1) day in advance of date of termination, and
 - 5.2.2. Final written notice of termination to the LEA no more than six (6) months after the SELPA's initial notice of intended termination.

- 5.3. Specifically the timeline and process above does not preclude the SELPA from initiating and completing the termination process in less than 12 months or by June 30 of the year immediately preceding the summary termination, if the member demonstrates:
- 5.3.1. Egregious disregard of state and federal requirements to provide services to students; and/or
 - 5.3.2. Demonstrated systemic and material issues that would cause the SELPA to make a finding of “going concern” based on leadership, programmatic and/or fiscal solvency that would cause SELPA to reasonably believe the SELPA may be harmed by the continued membership of the LEA.

The standards and timeline as determined by the SELPA shall, at a minimum, provide the LEA a reasonable opportunity for prior written notice and an opportunity to be heard by the Membership Appeals Committee.

6. DISPUTE RESOLUTION

Should a dispute arise relating to the responsibility for service provision, governance activities, the distribution of funding, if a party believes that an action taken by the CEO Council will create an undue hardship, or that the action taken exceeds the authority granted to the CEO Council within the Local Plan and/or state or federal statute, the aggrieved party may request a review of the action with the appropriate governing body or CDE as appropriate.

7. MUTUAL REPRESENTATIONS

- 7.1. Authority and Capacity. The Parties have the authority and capacity to enter into this agreement.
- 7.2. Full Disclosure. All information heretofore furnished by the Parties for purposes of or in connection with this Agreement or any transaction contemplated hereby or thereby is true and accurate in all material respects on the date as of which such information is stated.
- 7.3. No Conflicts. Neither party is under any restriction or obligation that may affect the performance of its obligations under this agreement.
- 7.4. Enforceability. This Agreement constitutes a legal, valid, and binding obligation, enforceable against the Parties according to its terms.

8. RESERVATION OF RIGHTS

The Parties hereto agree that nothing contained in this Agreement or otherwise shall be deemed to have waived or modified any of their rights or remedies under the law.

This agreement is entered into for the 2019-20 year and, absent a new agreement or termination, continues each year thereafter.

Executed on this _____ day of _____, 20_____.

In accordance with SELPA policy, _____,

[INSERT Charter LEA Name]

certifies that this agreement has been approved by the appropriate local board(s).

LEA

Date

Signature of CEO of Charter LEA

[PRINT CEO Name, Title]

EL DORADO COUNTY OFFICE OF EDUCATION

Date

Ed Manansala, Ed.D., Superintendent
El Dorado County Office of Education

Date

David M. Toston, Associate Superintendent
SELPA Programs
El Dorado County Office of Education



Annual Financial Report
June 30, 2019

Orange County Educational
Arts Academy and
OCEAA Facilities, LLC



**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

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JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Orange County Educational Arts Academy
and OCEAA Facilities, LLC
(California Nonprofit Public Benefit Corporations)
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying financial statements of Orange County Educational Arts Academy (OCEAA) and OCEAA Facilities, LLC (the LLC) (California Nonprofit Public Benefit Corporations), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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; and the *2018-2019 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 OCEAA and the LLC'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 OCEAA and the LLC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of OCEAA and the LLC, as of June 30, 2019, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 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 6, 2019, on our consideration of OCEAA and the LLC'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 OCEAA and the LLC'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 OCEAA and the LLC's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Eric Sully LLP".

Rancho Cucamonga, California
November 6, 2019

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

	<u>OCEAA</u>	<u>LLC</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,512,665	\$ 442,381	\$ 1,955,046
Accounts receivable	516,200	-	516,200
Prepaid expenses	203,201	-	203,201
Total Current Assets	<u>2,232,066</u>	<u>442,381</u>	<u>2,674,447</u>
Non-Current Assets			
Restricted cash	-	847,100	847,100
Fixed assets	2,168,659	9,019,140	11,187,799
Less: accumulated depreciation	(1,078,843)	(2,932,632)	(4,011,475)
Total Non-Current Assets	<u>1,089,816</u>	<u>6,933,608</u>	<u>8,023,424</u>
Total Assets	<u>\$ 3,321,882</u>	<u>\$ 7,375,989</u>	<u>\$ 10,697,871</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 236,418	\$ 158,172	\$ 394,590
Deferred revenue	330	-	330
Current portion of long-term debt	122,377	210,000	332,377
Total Current Liabilities	<u>359,125</u>	<u>368,172</u>	<u>727,297</u>
Long-Term Obligations			
Non-current portion of long-term debt	666,723	8,547,890	9,214,613
Total Liabilities	<u>1,025,848</u>	<u>8,916,062</u>	<u>9,941,910</u>
NET ASSETS			
Without Donor Restrictions			
Designated	41,032	-	41,032
Unrestricted (Deficit)	2,255,002	(1,540,073)	714,929
Total Net Assets (Deficit)	<u>2,296,034</u>	<u>(1,540,073)</u>	<u>755,961</u>
Total Liabilities and Net Assets	<u>\$ 3,321,882</u>	<u>\$ 7,375,989</u>	<u>\$ 10,697,871</u>

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>OCEAA</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Local Control Funding Formula	\$ 6,016,009	\$ -	\$ -	\$ 6,016,009
Federal revenue	504,886	-	-	504,886
State revenue	1,641,112	-	-	1,641,112
Local revenues	571,104	-	-	571,104
Interest income	11,401	22,874	-	34,275
Rental income	2,000	851,040	(851,040)	2,000
Total Revenues	<u>8,746,512</u>	<u>873,914</u>	<u>(851,040)</u>	<u>8,769,386</u>
EXPENSES				
Program services	7,036,100	908,024	(752,149)	7,191,975
Management and general	1,104,235	35,679	(98,891)	1,041,023
Fundraising	50,723	-	-	50,723
Total Expenses	<u>8,191,058</u>	<u>943,703</u>	<u>(851,040)</u>	<u>8,283,721</u>
CHANGE IN NET ASSETS	<u>555,454</u>	<u>(69,789)</u>	<u>-</u>	<u>485,665</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,740,580</u>	<u>(1,470,284)</u>	<u>-</u>	<u>270,296</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 2,296,034</u>	<u>\$ (1,540,073)</u>	<u>\$ -</u>	<u>\$ 755,961</u>

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>OCEAA</u>	<u>LLC</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 555,454	\$ (69,789)	\$ 485,665
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Depreciation and amortization expense	210,948	258,687	469,635
Changes in operating assets and liabilities			
Decrease in accounts receivable	331,195	-	331,195
Increase in prepaid expenses and other assets, net	(25,031)	-	(25,031)
Decrease in accounts payable	(46,921)	-	(46,921)
Increase in deferred revenue	330	-	330
Decrease in interest payable	-	(4,159)	(4,159)
Net Cash Provided by Operating Activities	<u>1,025,975</u>	<u>184,739</u>	<u>1,210,714</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	<u>(115,265)</u>	<u>-</u>	<u>(115,265)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan payments	<u>(123,692)</u>	<u>(184,247)</u>	<u>(307,939)</u>
NET INCREASE IN CASH	787,018	492	787,510
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>725,647</u>	<u>441,889</u>	<u>1,167,536</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,512,665</u>	<u>\$ 442,381</u>	<u>\$ 1,955,046</u>
Supplemental cash flow disclosure:			
Cash paid during the period for interest	<u>\$ 65,008</u>	<u>\$ 649,337</u>	<u>\$ 714,345</u>

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Fundraising	Total Expenses
OCEAA				
Teacher salaries and benefits	\$ 4,853,327	\$ -	\$ -	\$ 4,853,327
Administrative salaries and benefits	-	395,238	-	395,238
Clerical salaries and benefits	-	131,892	-	131,892
District supervisory fee	-	60,160	-	60,160
Educational programs	52,875	1,989	-	54,864
Occupancy	1,055,769	131,079	-	1,186,848
Student supplies	166,325	7,928	-	174,253
Student nutrition	143,168	-	-	143,168
Operating expenses	698,750	91,480	-	790,230
Depreciation and amortization	-	210,948	-	210,948
Insurance	39,659	5,213	-	44,872
Capital outlay	26,227	3,300	-	29,527
Debt interest expense	-	65,008	-	65,008
Fundraising expense	-	-	50,723	50,723
Total	<u>7,036,100</u>	<u>1,104,235</u>	<u>50,723</u>	<u>8,191,058</u>
LLC				
Depreciation and amortization	258,687	-	-	258,687
Debt interest expense	649,337	-	-	649,337
Operating expenses	-	35,679	-	35,679
Total LLC	<u>908,024</u>	<u>35,679</u>	<u>-</u>	<u>943,703</u>
Eliminations	(752,149)	(98,891)	-	(851,040)
Total Functional Expenses	<u>\$ 7,191,975</u>	<u>\$ 1,041,023</u>	<u>\$ 50,723</u>	<u>\$ 8,283,721</u>

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Orange County Educational Arts Academy

Orange County Educational Arts Academy (OCEAA) was formed during 2005 as a California nonprofit organization. In September 2005, OCEAA welcomed its first students. OCEAA is a nonprofit public benefit corporation. OCEAA petitioned and was approved by Santa Ana Unified School District for a charter in 2005 and subsequently has received a second renewal for an additional five years ending in 2020. OCEAA was numbered by State of California Department of Education on May 11, 2005.

Charter school number authorized by the State: 0701

OCEAA is located on 825 N. Broadway Street, Santa Ana, California, 92701 and opened in September 2005, and currently serves approximately 599 students in grades kindergarten through eight. The mission of the OCEAA community is to nurture all learners to become creative, critical thinkers by providing high quality standards-based instruction through the arts, technology, language, and culture.

OCEAA Facilities, LLC

During 2008, Orange County Educational Arts Academy (OCEAA), a separate 501(c)(3) corporation, formed OCEAA Facilities, LLC (LLC) (exclusively for charitable purpose solely related to property and assets of the Orange County Educational Arts Academy). It is also exempt from the payment of income taxes under *Internal Revenue Code* Section 501(c)(3) and *California Revenue and Taxation Code* Section 23701(d). Additionally, OCEAA Facilities, LLC is exempt from State income taxes under *California Revenue and Taxation Code* Section 23701h. OCEAA and the LLC make lease payments to OCEAA Facilities, LLC, in accordance with the lease agreement.

Cash and Cash Equivalents

OCEAA and the LLC consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Restricted Cash

The LLC's restricted cash balance of \$847,100 is held in an interest bearing account insured up to \$250,000. At June 30, 2019, the LLC had \$597,100 in excess of FDIC insured limits. Restricted balances are held in accordance with the bank's covenants for debt agreements. Management believes the LLC is not exposed to any significant risk related to restricted cash.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance was \$0.

Property and Equipment

Property and equipment additions over \$2,500 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

OCEAA and the LLC review the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. OCEAA and the LLC report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for OCEAA and the LLC are derived principally from State and Federal sources. OCEAA and the LLC receive State funding based on each of the enrolled student's average daily attendance (ADA) in its schools. OCEAA and the LLC receive Federal grants, which are paid through the California Department of Education or other Federal and State agencies. Revenues related to these Federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the State is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Income Taxes

OCEAA and the LLC are California non-profit public benefit corporations that are 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 and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). 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. OCEAA and the LLC determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

OCEAA and the LLC have 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the OCEAA and the LLC to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the OCEAA and the LLC to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of OCEAA and the LLC's mission.

Recent Accounting Pronouncements

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
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(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for OCEAA and the LLC for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

As of July 1, 2018, OCEAA and the LLC adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for OCEAA and the LLC donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from OCEAA and the LLC's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess OCEAA and the LLC's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. OCEAA and the LLC have elected not to present comparative information for these amendments.

OCEAA and the LLC have adopted this standard as management believes the standard improves the usefulness and understandability of OCEAA and the LLC's financial reporting.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Adjustments Resulting From Change in Accounting Policy

As disclosed above, OCEAA and the LLC adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. Following is a summary of the effects of the change in accounting policy in OCEAA and the LLC's June 30, 2018, financial statements.

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Adjusted</u>
Unrestricted	\$ 1,740,580	\$ (1,740,580)	\$ -
Net assets without donor restrictions	-	1,740,580	1,740,580

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2019, consisted of the following:

	<u>Reported Amount</u>			<u>Bank</u>
	<u>OCEAA</u>	<u>LLC</u>	<u>Total</u>	<u>Balance</u>
Deposits and Investments				
Cash on hand and in banks	\$ 192,312	\$ 442,381	\$ 634,693	\$ 799,247
Cash with Orange County Investment Pool	1,320,353	-	1,320,353	N/A
Total	<u>\$ 1,512,665</u>	<u>\$ 442,381</u>	<u>\$ 1,955,046</u>	<u>\$ 799,247</u>
Restricted cash	<u>\$ -</u>	<u>\$ 847,100</u>	<u>\$ 847,100</u>	<u>\$ 847,100</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). OCEAA and the LLC maintain its cash in accounts that at times may exceed insured limits. At June 30, 2019, OCEAA and the LLC had a balance of \$106,866 and \$1,039,481, respectively, in excess of FDIC limits. Management believes OCEAA and the LLC are not exposed to any significant risk related to cash.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprises the following:

Cash and cash equivalents	\$ 1,512,665
Accounts receivable and other assets	719,401
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,232,066</u>

As part of OCEAA and the LLC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. OCEAA and the LLC invests cash in excess of daily requirements in county investment pools and money market funds. Occasionally, the board will designate a portion of any operating surplus to its operating reserve. As of June 30, 2019, no reserves are recorded.

NOTE 4 - INVESTMENTS

OCEAA maintains cash in the County Treasury as part of the common investment pool. The fair value of OCEAA's portion of this pool as of that date, as provided by the pool sponsor, was \$1,325,386. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Investments at June 30, 2019, consisted of the following:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Weighted Average Days to Maturity</u>
Orange County Pooled Investment Funds	<u>\$ 1,320,553</u>	<u>310</u>

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - FAIR MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES

OCEAA determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly structured or long-term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Uncategorized - Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because OCEAA's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

OCEAA and the LLC's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Orange County Pooled Investment Funds	<u>\$ 1,320,553</u>	<u>\$ 1,320,553</u>

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. OCEAA and the LLC does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. OCEAA and the LLC manages its exposure to interest rate risk by investing in the County Pool.

Weighted Average Maturity

OCEAA and the LLC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

NOTE 6 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2019, consisted of the following:

	<u>OCEAA</u>
Local Control Funding Formula	\$ 197,194
Federal receivables	67,061
State receivables	216,538
Lottery	35,407
Total Accounts Receivable	<u>\$ 516,200</u>

NOTE 7 - PREPAID EXPENSES

Prepaid expenses at June 30, 2019, consisted of the following:

	<u>OCEAA</u>
Insurance	\$ 71,382
Security deposit	18,466
Rent	32,562
Other	80,791
Total Prepaid Expenses	<u>\$ 203,201</u>

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019, consisted of the following:

	<u>OCEAA</u>	<u>LLC</u>	<u>Total</u>
Land	\$ -	\$ 1,430,000	\$ 1,430,000
Site improvements	1,774,777	337,526	2,112,303
Buildings	-	7,251,614	7,251,614
Furniture and equipment	89,578	-	89,578
Computer equipment	197,965	-	197,965
Work in progress	106,339	-	106,339
Subtotal	<u>2,168,659</u>	<u>9,019,140</u>	<u>11,187,799</u>
Less: accumulated depreciation	<u>(1,078,843)</u>	<u>(2,932,632)</u>	<u>(4,011,475)</u>
Total Fixed Assets	<u>\$ 1,089,816</u>	<u>\$ 6,086,508</u>	<u>\$ 7,176,324</u>

NOTE 9 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	<u>OCEAA</u>	<u>LLC</u>	<u>Total</u>
Salaries and benefits	\$ 109,606	\$ -	\$ 109,606
Vendor payables	66,652	-	66,652
Interest	-	158,172	158,172
Due to grantor governments	60,160	-	60,160
Total Accounts Payable	<u>\$ 236,418</u>	<u>\$ 158,172</u>	<u>\$ 394,590</u>

NOTE 10 - DEFERRED REVENUE

Deferred revenue at June 30, 2019, consisted of the following:

Local sources	<u>\$ 330</u>
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**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 - LONG-TERM DEBT

Bonds Payable

In August 2008, the LLC obtained bond financing through the California Municipal Finance Authority (CMFA). The \$10,515,000 borrowed was to be used to acquire certain school facilities for lease to the Orange County Educational Arts Academy. The bonds are secured by a deed of trust on the school facilities. The loan agreement requires the LLC to comply with various covenants, conditions, and restrictions.

The LLC is required to maintain a bond reserve cash account at an amount equal to the least of (a) ten percent of the proceeds of the Series 2008A Bonds or (b) maximum annual debt service with respect to the Series 2008A Bonds Outstanding, or (c) 125 percent of average annual debt service with respect to the Series 2008A Bonds. As of June 30, 2019, this amounted to \$847,100. The bonds bear interest rates ranging from 6.75 to 11.00 percent. Interest payments are due every six months and principle payments began annually on October 1, 2010, with the last payment on October 1, 2039. As of June 30, 2019 the bonds outstanding, less unamortized discount and issuance costs, was \$8,757,890.

Under the current bonding agreement, annual disclosure requirement include Corporation's audited financial statement, enrollment and waiting list data, interim reports as defined by California Department of Education and material events (if required under section 5 of the bonding agreement. As of June 30, 2019, OCEAA and the LLC have met these requirements.

Costs associated with the issuance of these bonds have been capitalized as a long-term asset. These costs are amortized over the term of the bonds. Amortization of the issuance costs for the year ended June 30, 2019, was \$14,110.

Bonds payable are reported on the balance sheet net of a bond discount. The discount is being amortized to interest expense over the life of the bonds. The amortized bond discount charged to interest expense for the year ended June 30, 2019, was \$10,753.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
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(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Future maturities are as follows:

Fiscal Year Ending June 30,	
2020	\$ 210,000
2021	225,000
2022	240,000
2023	255,000
2024	270,000
2025-2029	1,680,000
2030-2034	2,280,000
2035-2039	3,240,000
2040	<u>790,000</u>
Subtotal	9,190,000
Less unamortized discount and issuance costs	<u>(432,110)</u>
Total	<u><u>\$ 8,757,890</u></u>

Loan

On March 13, 2015, OCEAA obtained a two-phase \$1,200,000 loan from Raza Development Fund, Inc., for the purpose of renovation and the construction of certain tenant improvements on the premises located at 822-828 N. Broadway Street, Santa Ana, California 92701. Phase I (Construction Loan) of the loan matures on April 1, 2016 for a term of 12 months with interest on the outstanding principal from the date advanced to the date paid during the term of the loan at the per annum rate of seven percent (7%). The Construction Loan will then convert into Phase II (Construction/Permanent Loan) and becomes effective April 1, 2016 for a term of an additional 108 months for a total of 120 months. The principal amount of the Construction/Permanent Loan shall accrue interest at the rate of seven percent (7%) fixed per annum. The loan shall fully amortize over the remaining term of the loan, or 108 months. OCEAA will drawdown funds from the loan as construction progresses. As of June 30, 2019, the amount available for drawdown was \$95,586, and the Construction Loan balance was \$798,808. Total amortization of loan origination costs for June 30, 2019 was \$5,029.

Construction loan	\$ 798,808
Capitalized loan origination cost	(14,544)
Net balance	<u><u>\$ 784,264</u></u>

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Estimated future loan payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Balance
2020	\$ 116,939	\$ 52,212	\$ 169,151
2021	125,393	43,758	169,151
2022	134,457	34,694	169,151
2023	144,177	24,974	169,151
2024	154,600	14,551	169,151
2025	123,242	3,622	126,864
Total	<u>\$ 798,808</u>	<u>\$ 173,811</u>	<u>\$ 972,619</u>

TEQ LEASES

On August 11, 2016, OCEAA entered into a lease agreement with TEQ LEASE, Inc., for the rental of refurbished HP Chromebooks. The term of the lease is for 36 months commencing on September 1, 2016, and ending on August 1, 2019, with monthly payments of \$615. As of June 30, 2019, the balance on the capital lease obligation is \$1,819.

Fiscal Year Ending June 30,	
2020	\$ 1,845
Less amount representing interest	(26)
Total	<u>\$ 1,819</u>

On December 12, 2016, OCEAA entered into a lease agreement with TEQ LEASE, Inc., for the rental of refurbished HP Chromebooks. The term of the lease is for 36 months commencing on January 1, 2017, and ending on December 1, 2019, with monthly payments of \$618. As of June 30, 2019, the balance on the capital lease obligation is \$3,619.

Fiscal Year Ending June 30,	
2020	\$ 3,708
Less amount representing interest	(89)
Total	<u>\$ 3,619</u>

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 - NET ASSETS (DEFICIT)

Net assets at June 30, 2019, consisted of the following:

	<u>OCEAA</u>	<u>LLC</u>	<u>Total</u>
Without Donor Restrictions			
Designated for State programs	\$ 41,032	\$ -	\$ 41,032
Unrestricted (deficit)	2,255,002	(1,540,073)	714,929
Total Net Assets (Deficit)	<u>\$ 2,296,034</u>	<u>\$ (1,540,073)</u>	<u>\$ 755,961</u>

NOTE 13 - OPERATING LEASE

On November 11, 2013, OCEAA entered into an operating lease agreement with Bruno Ledwin for the locations at 822-828 N. Broadway Street, and the parking lot off of 825 N. Birch Street in Santa Ana, California 92701. The term of the lease is for seven years beginning on December 10, 2013 and ending on December 9, 2020. OCEAA is responsible for initial monthly lease payments of \$16,407, with a three percent annual increase. Total rent expense for the year ended June 30, 2019, was \$218,902.

Estimated future minimum lease payments under operating leases as of June 30, 2019 are:

Fiscal Year Ending <u>June 30,</u>	<u>Lease Payments</u>
2020	\$ 225,470
2021	95,100
Total	<u>\$ 320,570</u>

NOTE 14 - 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) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

OCEAA contributes 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, 2018, total actuarial value of assets are \$190.4 billion, the actuarial obligation is \$297.6 billion, contributions from all employers totaled \$4.7 billion, and the plan is 64.0 percent funded.

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, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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.

OCEAA contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

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 payrolls 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, 2019, are presented above and OCEAA's total contributions were \$409,964.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. 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, 2018, the Schools Pool total plan assets are \$64.8 billion, the total accrued liability is \$91.5 billion, contributions from all employers totaled \$2.17 billion, and the plan is 70.8 percent funded.

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, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>School Employer Pool (CalPERS)</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 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. OCEAA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total OCEAA contributions were \$205,211.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
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(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of OCEAA. These payments consist of State General Fund contributions to CalSTRS in the amount of \$388,334 (9.828 percent of OCEAA's salaries subject to CalSTRS and SB 90 contribution) and to CalPERS in the amount of \$75,032 (SB 90 contribution only). Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on-behalf of school employers of \$2.2456 billion for CasSTRS and \$904 million for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, both amounts have been recorded in these financial statements.

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. OCEAA has no obligations to CalSTRS for early retirement incentives granted to terminated employees.

NOTE 15 - RISK MANAGEMENT

Participation in Joint Powers Authority

OCEAA is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation insurance and charter school liability insurance. The relationship between OCEAA and CharterSAFE is such that CharterSAFE is not considered a component unit of OCEAA for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and OCEAA are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2018-2019 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2019, OCEAA made payments of \$99,774 to CharterSAFE for services received. At June 30, 2019, OCEAA had no recorded accounts receivable or accounts payable to CharterSAFE.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16 - RELATED PARTY TRANSACTIONS

In connection with OCEAA Facilities, LLC was formed to obtain financing to construct or purchase property to be used by OCEAA for education purposes. OCEAA converted the prior capital lease into an operating lease agreement with OCEAA Facilities, LLC on July 1, 2013, for its current educational facility located in Santa Ana, California. See Note 11 for additional information on the operating lease. OCEAA also pays for any expenses incurred by OCEAA Facilities, LLC.

On July 1, 2013, OCEAA entered into an operating lease with the LLC for the property located at 825 N. Broadway Street, Santa Ana, California 92701. Under the original terms of the lease dated August 1, 2008, OCEAA was leasing the property as a capital lease through 2039; however, the terms of the lease were restated through August 31, 2030, thus allowing for the reclassification to an operating lease. Per the lease agreement monthly payments are adjusted annually. OCEAA was responsible for monthly lease payments of \$71,004 (includes \$436 of monthly expense) through August 2016. Effective September 2017, monthly lease payments decreased to \$70,794 (which includes \$436 of monthly expense). Effective September 2018, monthly lease payments increased to \$70,945 (which includes \$432 of monthly expense). Total rent expense for the year ended June 30, 2019, was \$851,040. The rent expense and rental income have been eliminated in the Statement of Activities and Changes in Net Assets.

Estimated future minimum lease payments under operating leases as of June 30, 2019 are:

Fiscal Year Ending June 30,	Lease Payments
2020	\$ 852,002
2021	851,950
2022	850,883
2023	848,802
2024	849,872
2025-2029	4,244,456
2030-2031	991,507
Total	<u>\$ 9,489,472</u>

NOTE 17 - CONTINGENCIES

OCEAA 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.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019**

Litigation

OCEAA and the LLC are involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of OCEAA and the LLC at June 30, 2019.

NOTE 18 - SUBSEQUENT EVENTS

OCEAA and the LLC's management has evaluated events or transactions that may occur for potential recognition or disclosure in the combined financial statements from the balance sheet date through November 6, 2019, which is the date the combined financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



SUPPLEMENTARY INFORMATION

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019**

ORGANIZATION

Orange County Education Arts Academy (Charter Number 0701) was granted on May 12, 2005, by the Santa Ana Unified School District. OCEAA operates one school providing classroom-based instruction to students in kindergarten through grade eight.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Kimberly Barraza-Lyons	President	May 2020
Dr. Alfonso Bustamante	Vice President	September 2020
Ben Stanphill	Secretary	January 2021
Boris Molina Barrera	Member	June 2020
Scott Overpeck	Chair	July 2020
Valerie Sullivan	Vice Chair	March 2021

ADMINISTRATION

Mike Limon	Executive Director
Kristin Collins	School Director
Janine McFarlin	Interim Controller

See accompanying note to supplementary information.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Kindergarten through third	338.36	337.74
Fourth through sixth	176.60	175.83
Seventh and eighth	86.01	85.97
Total Regular ADA	<u>600.97</u>	<u>599.54</u>
Classroom based ADA		
Kindergarten through third	338.36	337.74
Fourth through sixth	176.60	175.83
Seventh and eighth	86.01	85.97
Total Classroom Based ADA	<u>600.97</u>	<u>599.54</u>

OCEAA does not operate a Non-Classroom Based Instruction program.

See accompanying note to supplementary information.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	49,525	175	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		56,350	175	N/A	Complied
Grade 2		56,350	175	N/A	Complied
Grade 3		56,350	175	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		58,100	175	N/A	Complied
Grade 5		58,100	175	N/A	Complied
Grade 6		58,975	175	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		58,975	175	N/A	Complied
Grade 8		58,975	175	N/A	Complied

See accompanying note to supplementary information.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of OCEAA. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by OCEAA and whether OCEAA complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

OCEAA must maintain their instructional minutes at the 1986-1987 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

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



INDEPENDENT AUDITOR'S REPORTS



**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
Orange County Educational Arts Academy
and OCEAA Facilities, LLC
(California Nonprofit Public Benefit Corporations)
Santa Ana, 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 Orange County Educational Arts Academy (OCEAA) and OCEAA Facilities, LLC (the LLC) which comprise the statement of financial position as of June 30, 2019, 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 6, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCEAA and the LLC'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 OCEAA and the LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of OCEAA and the LLC'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 OCEAA and the LLC'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 OCEAA and the LLC'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 OCEAA and the LLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCEAA and the LLC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
November 6, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Orange County Educational Arts Academy
and OCEAA Facilities, LLC
(California Nonprofit Public Benefit Corporations)
Santa Ana, California

Report on State Compliance

We have audited Orange County Educational Arts Academy (OCEAA) and OCEAA Facilities, LLC (the LLC) compliance with the types of compliance requirements as identified in the *2018-2019 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 OCEAA and the LLC's State government programs as noted below for the year ended June 30, 2019.

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 OCEAA and the LLC's 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 *2018-2019 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 OCEAA and the LLC'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 opinions. Our audit does not provide a legal determination of OCEAA and the LLC's compliance with those requirements.

Unmodified Opinion

In our opinion, OCEAA and the LLC 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, 2019.

In connection with the audit referred to above, we selected and tested transactions and records to determine OCEAA and the LLC's 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
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before 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
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-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.

OCEAA and the LLC does not operate a before school program within the After School Education and Safety Program; therefore, we did not perform any related procedures.

OCEAA and the LLC does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

OCEAA and the LLC does not offer Nonclassroom-Based Instruction; therefore, we did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Nonclassroom-Based Instruction.

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

Rancho Cucamonga, California
November 6, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

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>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY AND
OCEAA FACILITIES, LLC
(California Nonprofit Public Benefit Corporations)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

State Awards Findings

None reported.