



**CONSOLIDATED
AUDIT REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2024**

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

Orange County Educational Arts Academy (Charter No. 0701)

AND CONSOLIDATED WITH

OCEAA Facilities LLC

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
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JUNE 30, 2024**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Orange County Educational Arts Academy
Santa Ana, California

Report on the Consolidated Financial Statements**Opinion**

We have audited the accompanying financial statements of Orange County Educational Arts Academy which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Orange County Educational Arts Academy as of June 30, 2024, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Orange County Educational Arts Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Orange County Educational Arts Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Orange County Educational Arts Academy’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orange County Educational Arts Academy’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Local Education Agency Organization Structure but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024, on our consideration of Orange County Educational Arts Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Orange County Educational Arts Academy’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange County Educational Arts Academy’s internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 4, 2024

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024**

ASSETS

Current assets

Cash and cash equivalents	\$ 6,974,518
Accounts receivable	1,617,296
Prepaid expenses	<u>90,672</u>
Total current assets	<u>8,682,486</u>

Noncurrent assets

Deposits	204,156
Right-of-use asset	4,495
Capital assets, net	<u>5,719,749</u>
Total noncurrent assets	<u>5,928,400</u>
Total Assets	<u>\$ 14,610,886</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 898,795
Deferred revenue	2,518,534
Operating lease liability	4,358
Long-term liabilities	<u>9,502,649</u>
Total liabilities	<u>12,924,336</u>

Net assets

Without donor restrictions	<u>1,686,550</u>
Total net assets	<u>1,686,550</u>
Total Liabilities and Net Assets	<u>\$ 14,610,886</u>

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 4,877,053
Federal revenues	599,260
Other state revenues	<u>3,553,731</u>
Total federal and state support and revenues	<u>9,030,044</u>
Local support and revenues	
Payments in lieu of property taxes	2,328,643
Afterschool fees	233,091
Investment income, net	272,440
Other local revenues	<u>250,054</u>
Total local support and revenues	<u>3,084,228</u>
Total Support and Revenues	<u>12,114,272</u>
EXPENSES	
Program services	9,448,179
Supporting services	
Management and general	2,410,619
Fundraising	<u>80,882</u>
Total Expenses	<u>11,939,680</u>
CHANGE IN NET ASSETS	174,592
Net Assets - Beginning	<u>1,511,958</u>
Net Assets - Ending	<u>\$ 1,686,550</u>

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024**

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Eliminations	
EXPENSES					
Personnel expenses					
Certificated salaries	\$ 2,787,648	\$ 550,097	\$ -	\$ -	\$ 3,337,745
Non-certificated salaries	1,191,791	759,601	-	-	1,951,392
Pension plan contributions	1,170,331	218,833	-	-	1,389,164
Payroll taxes	195,969	30,758	-	-	226,727
Other employee benefits	397,752	84,331	-	-	482,083
Total personnel expenses	<u>5,743,491</u>	<u>1,643,620</u>	<u>-</u>	<u>-</u>	<u>7,387,111</u>
Non-personnel expenses					
Books and supplies	768,619	62,601	-	-	831,220
Insurance	81,304	26,758	-	-	108,062
Facilities	1,079,558	91,032	-	(675,839)	494,751
Professional services	1,459,916	285,433	80,882	(1,779)	1,824,452
Interest expense	440,995	145,139	-	-	586,134
Depreciation	297,277	97,839	-	-	395,116
Fees to authorizing agency	60,157	19,798	-	-	79,955
Other operating expenses	194,480	38,399	-	-	232,879
Total non-personnel expenses	<u>4,382,306</u>	<u>766,999</u>	<u>80,882</u>	<u>(677,618)</u>	<u>4,552,569</u>
Eliminations	(677,618)	-	-	677,618	-
Total Expenses	<u>\$ 9,448,179</u>	<u>\$ 2,410,619</u>	<u>\$ 80,882</u>	<u>\$ -</u>	<u>\$ 11,939,680</u>

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 174,592
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Noncash items	
Depreciation	395,116
Lease expense - amortization of right-of-use asset	(249)
Interest expense - amortization of bonded debt costs/discount	50,056
(Increase) decrease in operating assets	
Accounts receivable	(399,118)
Prepaid expenses	11,135
Increase (decrease) in operating liabilities	
Accounts payable	333,057
Deferred revenue	213,710
Settlement agreement liability	(335,146)
Net cash provided by (used in) operating activities	<u>443,153</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Refunded construction project costs	61,179
Purchase of capital assets	(527,888)
Net cash provided by (used in) investing activities	<u>(466,709)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on bonds payable	(125,000)
Additional issuance costs on bonded debt	(10,864)
Net cash provided by (used in) financing activities	<u>(135,864)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(159,420)
Cash and cash equivalents - Beginning	<u>7,133,938</u>
Cash and cash equivalents - Ending	<u>\$ 6,974,518</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 536,931</u>

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Orange County Educational Arts Academy (the “Organization”) was formed as a nonprofit public benefit corporation on June 17, 2004 for the purpose of operating as a California public school located in Orange County. The Organization operates Orange County Educational Arts Academy (the “Charter”), which is numbered by the State Board of Education as California Charter No. 0701. The Charter’s mission is simple: to nurture all learners to become creative, critical thinkers by providing high quality standards-based instruction through the arts, technology, language and culture. During the year ended June 30, 2024, Orange County Educational Arts Academy served grades TK to 8.

Orange County Educational Arts Academy is authorized to operate as a charter school through the Santa Ana Unified School District (the “authorizing agency”). On December 17, 2019, the Board of Directors of the Santa Ana Unified School District approved a charter renewal petition for a five-year term beginning July 1, 2020 and expiring on June 30, 2025. As a result of AB 130 and SB 114, the charter petition end date is extended to June 30, 2028. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

In June 2008, articles of organization were filed to establish a limited liability corporation under OCEAA Facilities LLC, whereby Orange County Educational Arts Academy is the sole statutory member of the LLC. As such, the LLC is deemed a disregarded entity and its financial statements are consolidated with Orange County Educational Arts Academy.

B. Basis of Accounting

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

C. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Orange County Educational Arts Academy and OCEAA Facilities, LLC, which comprise the Organization as a whole. Intercompany accounts and transactions have been eliminated in consolidation.

D. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016. Orange County Educational Arts Academy reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Estimates

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

F. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

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

G. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Orange County Educational Arts Academy. Revenues are recognized by the Organization when earned.

H. Functional Expenses

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

I. Cash and Cash Equivalents

Orange County Educational Arts Academy considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

J. Investments

The Organization’s method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2024, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

L. Capital Assets

Orange County Educational Arts Academy has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

M. Deferred Revenue

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

N. Income Taxes

Orange County Educational Arts Academy is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Organization is not required to register with the California Attorney General as a charity.

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

O. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

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

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2024**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Lease Arrangements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, a new lease standard effective no later than the fiscal year 2022-23. Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee’s right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2024, consists of the following:

Cash in county treasury	\$ 3,473,992
Cash with fiscal agent	1,998,751
Cash in banks	1,501,636
Cash on hand or awaiting deposit	139
Total Cash and Cash Equivalents	<u>\$ 6,974,518</u>

Cash in Banks

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Orange County Educational Arts Academy does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2024, \$1,371,146 of the Orange County Educational Arts Academy’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks.

Cash with Fiscal Agent

The Organization maintains a portion of its cash with UMB Bank in money market investment funds. This portion of cash is considered restricted for capital projects related to the Organization’s bonded debt. Cash with fiscal agent is carried at amortized cost on behalf of the Organization. These types of investments do not qualify as securities as defined in FASB ASB 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

Cash in County Treasury

Policies and Practices

Orange County Educational Arts Academy is a voluntary participant in an external investment pool. The fair value of the Organization’s investment in the pool is reported in the financial statements at amounts based upon the Organization’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

Fair Value Measurement

Cash in county treasury is measured at Level 1 using the fair value input levels noted in section O of Note 1. The Organization has classified these funds as Level 1 because the amounts invested in the county treasury pooled investment fund primarily consist of investment types having observable inputs that reflect quoted prices. The investment types include those noted under the general authorizations section.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2024**

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Organization has managed its exposure to interest rate risk by investing in the county treasury. The Organization’s investments in the Orange County Treasury Investment Pool, which combines the Organization’s share of the portfolio, has a combined fair value of \$3,454,544 and an amortized book value of \$3,473,992 as of June 30, 2024. The average weighted maturity for this pool is 383 days.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2024, consists of the following:

Local control funding sources, state aid	\$ 257,091
Federal sources	178,746
Other state sources	972,370
In lieu property tax payments	209,089
Total Accounts Receivable	<u>\$ 1,617,296</u>

ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2024 consists of the following:

	Balance			Balance
	July 1, 2023	Additions	Disposals	June 30, 2024
Orange County Educational Arts Academy				
Property and equipment				
Building improvements	\$ 2,048,591	\$ 16,500	\$ -	\$ 2,065,091
Furniture and equipment	287,544	-	-	287,544
Construction in progress	61,179	40,075	61,179	40,075
Total property and equipment	2,397,314	56,575	61,179	2,392,710
Less accumulated depreciation	(1,894,674)	(142,497)	(302)	(2,036,869)
Capital Assets, net	\$ 502,640	\$ (85,922)	\$ 60,877	\$ 355,841
OCEAA Facilities LLC				
Property and equipment				
Land	\$ 1,430,000	\$ -	\$ -	\$ 1,430,000
Buildings	7,251,614	-	-	7,251,614
Building improvements	387,132	471,313	-	858,445
Total property and equipment	9,068,746	471,313	-	9,540,059
Less accumulated depreciation	(3,923,230)	(252,921)	-	(4,176,151)
Capital Assets, net	\$ 5,145,516	\$ 218,392	\$ -	\$ 5,363,908
Consolidated Capital Assets, net	\$ 5,648,156	\$ 132,470	\$ 60,877	\$ 5,719,749

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2024, consists of the following:

Due to grantor government	\$ 298,464
Vendor payables	253,535
Salaries and benefits	222,960
Due to authorizing agency	79,955
Interest payable	43,881
Total Accounts Payable	\$ 898,795

NOTE 6 – DEFERRED REVENUE

Deferred revenue as of June 30, 2024, consists of conditional contributions from the following sources:

Federal sources	\$ 15,817
State sources	2,502,717
Total Deferred Revenue	\$ 2,518,534

ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 7 – OPERATING LEASE

The Organization entered into a lease agreement for use of equipment. The lease agreement covers a term beginning January 2023 through January 2026. During the fiscal year ended June 30, 2024, the Organization paid \$2,995 in lease payments under this operating lease. At June 30, 2024, the right-of-use asset was \$4,495 and the operating lease liability was \$4,358. The Organization has accounted for its lease agreements using an implied discount rate of 4%. The associated asset and liability are amortized over the remaining term of the lease as follows:

Fiscal Year Ending June 30,	(a) Lease Expense	(b) Lease Payments	(c) Discount (4%)	(b) - (c) Operating Lease Liability	(a) - (c) Right-of-Use Asset
2025	\$ 2,995	\$ 2,995	\$ 118	\$ 2,877	\$ 2,877
2026	1,634	1,497	16	1,481	1,618
Total	\$ 4,629	\$ 4,492	\$ 134	\$ 4,358	\$ 4,495

NOTE 8 – LONG-TERM LIABILITIES

A summary of activity related to long-term liabilities during the year ended June 30, 2024 consists of the following:

	Balance July 1, 2023	Draws	Payments	Balance June 30, 2024
Settlement agreement	\$ 1,340,584	\$ -	\$ 335,146	\$ 1,005,438
Bonds payable, net	8,583,019	(10,864)	74,944	8,497,211
Total Long-Term Liabilities	\$ 9,923,603	\$ (10,864)	\$ 410,090	\$ 9,502,649

Settlement Agreement

In 2022, the Organization entered into a settlement agreement with Santa Anta Unified School District related to special education funding. The total settlement amount was \$1,675,731. The Organization is to pay a minimum of 20% of the outstanding balance by January 2nd of each year and its entirety by January 2, 2027. The Organization made a payment of \$335,146 during the year ended June 30, 2024. The outstanding balance at June 30, 2024 was \$1,005,438.

Bonds Payable, Net

A summary of activity related to bonds payable during the year ended June 30, 2024 consists of the following:

	Balance July 1, 2023	Draws	Payments	Balance June 30, 2024
CSFA Series 2023A	\$ 8,995,000	\$ -	\$ 125,000	\$ 8,870,000
CSFA Series 2023B	360,000	-	-	360,000
Unamortized bond issuance costs	(544,843)	(10,864)	(42,485)	(513,222)
Unamortized discount	(227,138)	-	(7,571)	(219,567)
Total Bonds Payable, Net	\$ 8,583,019	\$ (10,864)	\$ 74,944	\$ 8,497,211

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2024**

NOTE 8 – LONG-TERM LIABILITIES (continued)

Bonds Payable, Net (continued)

In May 2023, OCEAA Facilities LLC was issued \$9,355,000 in bonded debt as part of the Charter School Revenue Bonds Series 2023A and B from the California School Finance Authority (CSFA). The bonds hold interest rates ranging from 5.0 to 7.0 percent and fully mature in June 2053. The bond proceeds were used to refund a previous bond issuance under California Municipal Finance Authority (CMFA) Series 2008A. As part of the issuance, the LLC was also granted \$664,206 in federal funding in 2022-23 as part of the CSFA Charter School Facilities Credit Enhancement Grant. The grant is intended to reduce the overall cost of borrowing for charter schools as it eliminates the need to fund the reserve through bond proceeds.

The bonded debt is held under the LLC yet debt payments are structured as lease payments from the Charter to the LLC. The bonds require the Organization to comply with certain financial and nonfinancial covenants. Future repayment obligations for the bond are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 135,000	\$ 526,575	\$ 661,575
2026	\$ 145,000	\$ 517,125	\$ 662,125
2027	155,000	507,875	662,875
2028	160,000	500,125	660,125
2029	170,000	492,125	662,125
Thereafter	8,465,000	7,412,390	15,877,390
Less unamortized costs/discount	(732,789)	732,789	-
Total	\$ 8,497,211	\$ 10,689,004	\$ 19,186,215

In accordance with ASU 2015-3, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented on the balance sheet as a direct deduction from the carrying value of the associated liability. Additionally, the amortization of debt issuance costs is required to be reported as interest expense. Interest expense associated with the amortization of issuance costs amounted to \$50,056 for the fiscal year ending June 30, 2024.

NOTE 9 – NET ASSETS

As of June 30, 2024, the Organization did not hold any net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Organization. At June 30, 2024, the Organization’s net assets without donor restrictions consists of the following:

Net investment in capital assets	\$ 355,841
Undesignated	1,330,709
Total Net Assets without Donor Restrictions	\$ 1,686,550

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The table on the following page reflects the Organization’s financial assets as of June 30, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Financial Assets	
Cash and cash equivalents	\$ 6,974,518
Accounts receivable	1,617,296
Prepaid expenses	90,672
Contractual or donor-imposed restrictions	
Cash held by fiscal agent	(1,998,751)
Cash held for conditional contributions	(2,518,534)
Financial Assets available to meet cash needs	_____
for expenditures within one year	\$ 4,165,201

NOTE 11 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Orange County Educational Arts Academy in an effort to advance the Charter’s programs and objectives. These services have not been recorded in the Organization’s financial statements because they do not meet the criteria required by generally accepted accounting principles. Additionally, the Organization did not receive any donated items during the year ended June 30, 2024.

NOTE 12 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Organization has made such election for the Charter. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS), and non-certificated employees are members of the California Public Employees’ Retirement System (CalPERS). The Charter also offers social security as an alternative plan to all employees who may not qualify for CalSTRS or CalPERS.

California State Teachers’ Retirement System (CalSTRS)

Plan Description

Orange County Educational Arts Academy contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers’ Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2023-24 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2023-24 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter’s contributions to CalSTRS for the fiscal year ended June 30, 2024 was \$590,109; 100% of the required annual contribution.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Orange County Educational Arts Academy is estimated at \$276,779. The on-behalf payment amount is computed as the proportionate share of total 2022-23 State on-behalf contributions.

California Public Employees' Retirement System (CalPERS)

Plan Description

Orange County Educational Arts Academy contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

Funding Policy

Active plan members, who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 8.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

Orange County Educational Arts Academy is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2023-24 was 26.68% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalPERS for the fiscal year ended June 30, 2024 was \$522,276; 100% of the required annual contribution.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

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

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Organization's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Organization's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Organization's share of withdrawal liability is approximately \$3,611,311 as of June 30, 2023. Also as of June 30, 2023, CalPERS has estimated the Organization's share of withdrawal liability to be \$3,667,506. The Organization does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 12 for additional information on employee retirement plans.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

Charter School Authorization

As mentioned in Note 1A, Orange County Educational Arts Academy is approved to operate as a public charter school through authorization by the Santa Ana Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code (EC) whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the charter petition end date was extended to June 30, 2027. Additionally, on July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended EC 47607.4. The EC was amended to add “all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year.” As a result, the charter petition end date is extended to June 30, 2028.

The Charter makes payments to the authorizing agency to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$79,955 for the fiscal year ending June 30, 2024.

Pending or Threatened Litigation

The Organization could become involved in various 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 the Organization as of June 30, 2024.

NOTE 14 – INTERAGENCY TRANSACTIONS

As mentioned in Note 1A, the Charter and LLC are considered financially interrelated under generally accepted accounting principals because of the statutory relationship. As such, interagency transactions and balances are eliminated in the consolidated financial statements of the Organization to better reflect the true activities of the corporation. Transactions during the fiscal year and balances at year end that are excluded and shown as eliminations on the consolidating statements of financial position and activities within the supplementary information include:

- \$675,839 in rental income recorded as revenue for the LLC and rental expense for the Charter.
- \$11,648,460 recorded as a right-of-use asset and related lease liability of \$11,673,270 for the Charter attributed to the lease agreement with the LLC.
- \$52,360 for a lease receivable from prepaid rent for the LLC.
- \$27,550 in a net interagency receivable for the LLC and payable for the Charter.
- \$1,779 in local revenue to the Charter for an interagency transfer from the LLC.

NOTE 15 – SUBSEQUENT EVENTS

Orange County Educational Arts Academy has evaluated subsequent events for the period from June 30, 2024 through December 4, 2024, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024**

	Orange County Educational Arts Academy	OCEAA Facilities LLC	Eliminations	Consolidated Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,975,767	\$ 1,998,751	\$ -	\$ 6,974,518
Accounts receivable	1,617,296	-	-	1,617,296
Interagency receivable	-	52,360	(52,360)	-
Prepaid expenses	90,672	-	-	90,672
Total current assets	<u>6,683,735</u>	<u>2,051,111</u>	<u>(52,360)</u>	<u>8,682,486</u>
Noncurrent assets				
Deposits	18,466	185,690	-	204,156
Right-of-use asset	11,652,955	-	(11,648,460)	4,495
Capital assets, net	355,841	5,363,908	-	5,719,749
Total noncurrent assets	<u>12,027,262</u>	<u>5,549,598</u>	<u>(11,648,460)</u>	<u>5,928,400</u>
Total Assets	<u>\$ 18,710,997</u>	<u>\$ 7,600,709</u>	<u>\$ (11,700,820)</u>	<u>\$ 14,610,886</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 854,914	\$ 43,881	\$ -	\$ 898,795
Interagency payable	27,550	-	(27,550)	-
Deferred revenue	2,518,534	-	-	2,518,534
Operating lease liability	11,677,628	-	(11,673,270)	4,358
Long-term liabilities	1,005,438	8,497,211	-	9,502,649
Total liabilities	<u>16,084,064</u>	<u>8,541,092</u>	<u>(11,700,820)</u>	<u>12,924,336</u>
Net assets				
Without donor restrictions	<u>2,626,933</u>	<u>(940,383)</u>	<u>-</u>	<u>1,686,550</u>
Total net assets	<u>2,626,933</u>	<u>(940,383)</u>	<u>-</u>	<u>1,686,550</u>
Total Liabilities and Net Assets	<u>\$ 18,710,997</u>	<u>\$ 7,600,709</u>	<u>\$ (11,700,820)</u>	<u>\$ 14,610,886</u>

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

	Orange County Educational Arts Academy	OCEAA Facilities LLC	Eliminations	Consolidated Total
WITHOUT DONOR RESTRICTIONS				
SUPPORT AND REVENUES				
Federal and state support and revenues				
Local control funding formula, state aid	\$ 4,877,053	\$ -	\$ -	\$ 4,877,053
Federal revenues	599,260	-	-	599,260
Other state revenues	3,553,731	-	-	3,553,731
Total federal and state support and revenues	<u>9,030,044</u>	<u>-</u>	<u>-</u>	<u>9,030,044</u>
Local support and revenues				
Payments in lieu of property taxes	2,328,643	-	-	2,328,643
Afterschool fees	233,091	-	-	233,091
Rental income	-	675,839	(675,839)	-
Investment income, net	168,177	104,263	-	272,440
Other local revenues	251,833	-	(1,779)	250,054
Total local support and revenues	<u>2,981,744</u>	<u>780,102</u>	<u>(677,618)</u>	<u>3,084,228</u>
Total Support and Revenues	<u>12,011,788</u>	<u>780,102</u>	<u>(677,618)</u>	<u>12,114,272</u>
EXPENSES				
Program services	9,454,333	671,464	(677,618)	9,448,179
Supporting services				
Management and general	2,190,196	220,423	-	2,410,619
Fundraising	80,882	-	-	80,882
Total Expenses	<u>11,725,411</u>	<u>891,887</u>	<u>(677,618)</u>	<u>11,939,680</u>
CHANGE IN NET ASSETS	286,377	(111,785)	-	174,592
Net Assets - Beginning	<u>2,340,556</u>	<u>(828,598)</u>	<u>-</u>	<u>1,511,958</u>
Net Assets - Ending	<u>\$ 2,626,933</u>	<u>\$ (940,383)</u>	<u>\$ -</u>	<u>\$ 1,686,550</u>

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2024**

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

	Second Period	
	Report	Annual Report
	<u>Classroom-Based</u>	
Grade Span		
Regular		
Kindergarten* through third	325.04	291.32
Fourth through sixth	192.32	182.78
Seventh through eighth	72.88	54.24
Total Average Daily Attendance - Classroom-Based	<u>590.24</u>	<u>528.34</u>
Total Average Daily Attendance	<u>590.24</u>	<u>528.34</u>

*Includes Transitional Kindergarten (TK)

The Charter had no Nonclassroom-Based ADA in 2023-24.

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2024**

This schedule presents information on the amount of instructional time offered per grade level by the Orange County Educational Arts Academy and whether the Charter complied with the provisions of *Education Code Section 47612.5*.

Grade Level	Minutes Requirement	2023-24 Instructional Minutes	2023-24 Number of Days	Status
Kindergarten*	36,000	47,480	175	Complied
Grade 1	50,400	56,080	175	Complied
Grade 2	50,400	56,080	175	Complied
Grade 3	50,400	56,080	175	Complied
Grade 4	54,000	57,145	175	Complied
Grade 5	54,000	57,335	175	Complied
Grade 6	54,000	58,705	175	Complied
Grade 7	54,000	58,705	175	Complied
Grade 8	54,000	58,705	175	Complied

*Includes Transitional Kindergarten (TK)

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL
STATEMENTS
JUNE 30, 2024**

This schedule provides the information necessary to reconcile fund balance or net position reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets on the audited financial statements.

June 30, 2024, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 2,614,928</u>
Adjustments:	
Increase (decrease) in total net assets:	
Record federal and state child nutrition revenue	<u>12,005</u>
June 30, 2024, net assets per audited financial statements	<u>\$ 2,626,933</u>

OTHER INFORMATION

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2024**

This schedule provides information about the local education agency (LEA or charter school), including the Charter’s authorizing agency, grades served, members of the governing body, and members of the administration.

Orange County Educational Arts Academy, located in Orange County was formed as a California nonprofit public benefit corporation on June 17, 2004. The charter school operated by the nonprofit, Orange County Educational Arts Academy, is numbered by the State Board of Education as Charter No. 0701. The Charter is authorized by the Santa Ana Unified School District. Classes initially began in Fall 2005. During 2023-24, the Charter served approximately 629 students in grades TK to 8.

BOARD OF DIRECTORS

Name	Office	Term Expiration
Carmen Aparicio	Chair	Indefinite
Ben Stanphill	Secretary	Indefinite
Ferney S Pinto Santander	Chief Financial Officer	Indefinite
Alfonso Bustamante, Ph.D.	District Designee	Indefinite
Jessica Reyes	Director	Indefinite
Kenia Cueto	Director	Indefinite

ADMINISTRATION

Mike Limón
President & Executive Director

Pedro Llorente, Ed.D.
School Director

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

To the Board of Directors of
Orange County Educational Arts Academy
Santa Ana, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Orange County Educational Arts Academy (the "Organization") as of and for the year ended June 30, 2024, and the related notes to the consolidated financial statements, which collectively comprise the Organization's financial statements and have issued our report thereon dated December 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Christy White, Inc.

San Diego, California
December 4, 2024

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL
OVER COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

To the Board of Directors of
Orange County Educational Arts Academy
Santa Ana, California

Report on State Compliance**Opinion on State Compliance**

We have audited Orange County Educational Arts Academy's compliance with the requirements specified in the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Orange County Educational Arts Academy's state program requirements for the fiscal year ended June 30, 2024.

In our opinion, Orange County Educational Arts Academy complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2024, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Orange County Educational Arts Academy and to meet certain ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of Orange County Educational Arts Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Orange County Educational Arts Academy's state programs.

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Orange County Educational Arts Academy's compliance based on our audit.

Auditor’s Responsibilities for the Audit for State Compliance (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Orange County Educational Arts Academy's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Orange County Educational Arts Academy's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Orange County Educational Arts Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Orange County Educational Arts Academy's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Orange County Educational Arts Academy’s compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 4, 2024

FINDINGS AND QUESTIONED COSTS SECTION

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2024**

PART I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

The Organization did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable.

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2023-24 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

All audit year findings, if any, are assigned an appropriate finding code as follows:

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**ORANGE COUNTY EDUCATIONAL ARTS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

PART II – FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2024.

PART III – STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2024.

PART IV – SUMMARY OF PRIOR AUDIT FINDINGS

This section presents the status of actions taken by the Organization on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2023.