



# Highland Academy Charter School

## Board Meeting

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### **Date and Time**

Thursday February 19, 2015 at 6:00 PM

### **Location**

715 Wellwood Ave. Beaumont, CA 92223, Conference Room

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During meetings of the Governing Board (Board), members of the audience have an opportunity to speak regarding subjects or concerns that appear, or do not appear, on the agenda. The Board President reserves the right to limit speaking time to three (3) minutes. Unless the item has been placed on the published agenda in accordance with the Brown Act, there shall be no action taken. The Board may acknowledge receipt of the information, or refer the matter to staff with no direction as to action or priority. It is suggested that anyone wishing to speak to the Board arrive a few minutes prior to the start of the meeting and to fill out a form "Request to Address the Board" located at the back of the boardroom. The form is submitted to the Secretary of the Board. Individuals, who require disability-related accommodations or modifications, including auxiliary aids and services, in order to participate in the Board meeting, should contact the Secretary of the Board in writing. Notification 48 hours prior to the meeting will enable the Board to make reasonable arrangements to ensure accessibility to the meeting.

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## Agenda

	Purpose	Presenter	Duration
<b>I. Opening Items</b>			
A. Record Attendance and Guests			
B. Call the Meeting to Order			
C. Approve Minutes	Approve Minutes		
<b>II. Closed Session</b>			
<b>III. Academic Excellence</b>			
A. Recommend approving adjustment to Gary Flowers' contract	Vote	Brent Bishop	2
B. ASB Report	FYI	Isabella Sanchez	5
C. Recommend Approving 2015-2016 School Calendar and Weekly Bell Schedule	Vote	Brent Bishop	3
<b>IV. CEO Support And Eval</b>			
<b>V. Development</b>			
A. Enrollment and Advertising Plan	FYI	Brent Bishop	5
B. Enrollment Update for Current Year	FYI	Brent Bishop	2
<b>VI. Facility</b>			
A. Facility Improvement Update	FYI	Brent Bishop	5
<b>VII. Governance</b>			
A. Recommend Approving New Board Members	Vote	Kerrie Fairchild	5
<b>VIII. Finance</b>			
A. Audit Proposal from Vicenti, Lloyd & Stutzman LLP	Discuss	Brent Bishop	10
B. Budget and PCSGP Grant Update	Discuss	Brent Bishop	5
<b>IX. Other Business</b>			
A. Inform Board of Japanese Exchange Student Program	FYI	Brent Bishop	2
<b>X. Closing Items</b>			

**A.** Adjourn Meeting

Vote

## Agenda Cover Sheets

**Section:** **III. Academic Excellence**  
**Item:** A. Recommend approving adjustment to Gary Flowers' contract  
**Purpose:** Vote  
**Goal:**  
**Submitted by:**  
**Related Material:** pay reduction worksheet.pdf

**Section:** **VIII. Finance**  
**Item:** A. Audit Proposal from Vicenti, Lloyd & Stutzman LLP  
**Purpose:** Discuss  
**Goal:**  
**Submitted by:**  
**Related Material:** Highland Academy Audit Proposal.pdf



# Highland Academy Charter School

## Minutes

### Board Meeting

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#### **Date and Time**

Thursday January 15, 2015 at 6:00 PM

#### **Location**

715 Wellwood Ave. Beaumont, CA 92223, Conference Room

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#### **Board Members Present**

Billy McIntosh, Kerrie Fairchild, Matthew Croad

#### **Board Members Absent**

James Neilson, Margarita Garcia

#### **Guests Present**

Brent Bishop

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### **I. Opening Items**

#### **A.Call the Meeting to Order**

Kerrie Fairchild called a meeting of the board of directors of Highland Academy Charter School to order on Thursday Jan 15, 2015 @ 6:06 PM at 715 Wellwood Ave. Beaumont, CA 92223, Conference Room.

#### **B.Record Attendance and Guests**

#### **C.Approve Minutes**

K. Fairchild made a motion to approve minutes from the Board Meeting on 12/15/14.

Billy McIntosh seconded the motion.

The board **VOTED** unanimously to approve the motion.

## **II. Academic Excellence**

### **A.ASB Report**

#### **B.Recommend approving ASB Constitution**

Article II - member ship. Change second sentence to each member shall be entitled to one vote in all associated student body elections.

K. Fairchild made a motion to To approve ASB constitution with the change to article II.

Billy McIntosh seconded the motion.

The board **VOTED** unanimously to approve the motion.

## **III. Finance**

### **A.Recommend approving Nigro and Nigro Audit Report**

K. Fairchild made a motion to Approve audit report from Nigro and Nigro for fiscal year ending June 30 2014.

Billy McIntosh seconded the motion.

The board **VOTED** unanimously to approve the motion.

### **B.Recommend Approving Charter Asset Management for Future Sale of Receivables**

B. McIntosh made a motion to To approve contingent upon cam beating csc in rate and velocity.

Kerrie Fairchild seconded the motion.

The board **VOTED** unanimously to approve the motion.

### **C.Discuss using the Charter School Revolving Loan Fund Program for Cash Flow**

Proceeding with application. We agree to pursue getting this loan.

### **D.Discuss using Payality for Payroll Services to cut cost**

### **E.Recommend Approving Mid-Year Cutbacks**

K. Fairchild made a motion to Approve cutbacks.

Matthew Croad seconded the motion.

The board **VOTED** unanimously to approve the motion.

## **IV. Governance**

### **A.Generate List of Possible Board Members for Replacements**

Brandy lee Linda shattuck

### **B.Discuss the possibility of becoming a Locally Funded Charter School through BUSD**

## **V. Closing Items**

### **A.Adjourn Meeting**

Next meeting 2/19/15 @ 6pm

K. Fairchild made a motion to Adjourn.

Billy McIntosh seconded the motion.

The board **VOTED** unanimously to approve the motion.

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 7:29 PM.

Respectfully Submitted,  
Matthew Croad

To: Bent Bishop  
From: H. G. Flowers  
Date: January 18, 2015  
Subject: Budget concerns and stuff

Good afternoon,

Let's begin with stuff. I noted from my w-2 form that federal tax is not withheld. I don't believe that this will be of significance to me since I shelter almost all my earnings from Highland Academy. However those who live mostly on that income will have a significant tax to pay and may have to pay an underpayment penalty. These people may want to have tax withheld or pay as they go.

I understand the budget concern. It appears that by cutting hours costs can also be cut thus reducing expenses and balancing the budget. I have considered the situation and hope that I have found an alternative to the proposal presented to me on Friday.

Your proposal will reduce my remaining hours (effective date 1/20/15 – all numbers are estimates);

Presently 9 hours /week - reduce to 4.5 hours/week = time saved 4.5 hours per week

Weeks remaining (excluding finals week – some weeks are partial)  $17 \times 4.5 \text{ hr/wk} = 76.5$

76.5 hours saved + finals week – alternative schedule days = 80 or fewer hours saved.

- Concerns: 1) The kids...If the class is maintained, intact, will they continue to progress Algebraically...I don't know about the qualifications of the other teachers, and to continue would be an additional prep for the new teacher. I will continue to write maps for my remaining class which could be used by the new teacher...if they are willing to use it.
- 2) If the students are dispersed into existing classes then they could be used as peer tutors which will be helpful to all but may be boring to students who were in my class.
- 3) Friday would mean only about 30 minutes with students for me, not worth the trip (my time = about 2 hours).

Suggestions: 1) Keep the classes as they are using my time for instruction and creating lesson plans (for this year and next).

- |  |                              |
|--|------------------------------|
| 2) Existing staff could supervise my classes on Fridays                        | time saved = 17 <sub>a</sub> |
| 3) Existing staff could supervise my classes on exam days (2/11 & 3/18 & 4/29) | time saved = 12              |
| 4) Existing staff could supervise my classes for finals week                   | time saved = 8               |
| 5) Existing staff could supervise my classes on CST testing                    | time saved = 8               |
| 6) Existing staff could grade quizzes  | time saved = 17 <sub>a</sub> |
| 7) Existing staff could grade tests  | time saved = 12              |
| 8) Adjustment ( I donate excess, if any...numbers are estimates)               | <u>time</u> = 6              |

**Total time saved**

**80 hours\***

<sub>a</sub> there will be no quiz on Fridays after a test so an activity will be provided

\*This plan allows you to take 80 hours of my time (your need) without kids losing my instruction. The time mentioned is time of supervision or paper work...not instruction. It also gives me more time at home with my wife, everybody wins.



Wages;

Pays remaining	13 out of 26, 9 out of 22	
Current pay (28000÷26)	\$1077	\$1077
22 pay plan (28000÷22)	\$1273p	

Approximate hours scheduled – on site:

Aug	1-12	50 hours	
	13-15	5	
	17-29	18	
Sept	1-5	4	
	8- 26	27	
Sept 29 – Oct 3		9	
Oct	6-14	7	
	19-31	18	
Nov	3 – 21	23	
Dec	1 - 19	<u>26</u>	
Semester 1 hours		187	
Jan 5-16		<u>18</u>	
Total hours		205	205
Semester 1 earnings		14000	
Jan 5-16 earnings		<u>1273</u>	
Total earnings		15273	15273
Hourly wage		15273÷205=	74.50
Reduction in wage		74.50x80 =	\$5960
Remaining pays		13	13
Reduction in pay 5960÷13 =			\$458.47
New pay (26 pays)		1077- 458.47 =	\$618.53

# **Highland Academy**

## **PROPOSAL TO PROVIDE PROFESSIONAL AUDIT SERVICES**

**For the Fiscal Year Ending  
June 30, 2015**

**Presented by:**

**Wade McMullen, CPA, Partner  
Vicenti, Lloyd & Stutzman LLP  
2210 E. Route 66, Suite 100, Glendora, CA 91740  
Tel: 626.857.7300, Extension 242  
E-mail: [wcmullen@vlsllp.com](mailto:wcmullen@vlsllp.com)**



# Highland Academy

## PROPOSAL TO PROVIDE PROFESSIONAL AUDIT SERVICES

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February 16, 2015

Brent Bishop  
Director  
Highland Academy Charter School  
715 Wellwood Avenue  
Beaumont, CA 92223

Dear Mr. Bishop:

We are delighted to present this proposal for audit services for Highland Academy. We understand your responsibility to assess the important auditor relationship and sincerely hope that we can work together in the future in ways that will be mutually beneficial.

The following is our understanding of your needs:

***AUDIT OF YOUR FINANCIAL STATEMENTS***

We will audit the financial statements of Highland Academy for the fiscal year ending June 30, 2015. Our audits will be conducted 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 as specified in Statements on Auditing Standards, published by the American Institute of Certified Public Accountants.

As applicable, the examination of financial records, statements, and audits for compliance will be made in accordance with procedures applicable to charter schools contained in *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-2015*.

We will evaluate the adequacy of the internal controls and accounting systems and, where weaknesses are noted, make appropriate recommendations for improvements.

We are committed to meeting your required timelines. Our goal is to properly plan the audit so that we minimize the completion time, from start to finish.

### ***VLS IS DIFFERENT***

Our engagements are conducted, and our relationships developed, within the framework of our business philosophy:

- ◆ Our **purpose** is to “make a positive difference in our world.”
- ◆ Our **mission** is to help people optimize financial information, processes, and systems to enable realization of their dreams.
- ◆ Our **goals** are to develop long-term, mutually beneficial relationships with our clients and to become their trusted advisors and strategic partners.
- ◆ Our **focus** is client satisfaction.
- ◆ Our **commitment** is the timely delivery of quality services, which are priced fairly and represent excellent value.

We are eminently qualified to handle your needs as:

- ◆ **We are annual presenters and a regional sponsor for the California Charter Schools Association.**
- ◆ We have continued to satisfy client needs in auditing, taxes, accounting, and consulting for 60 years.
- ◆ Our personnel receive extensive and ongoing professional training through seminars, workshops, courses and publications.
- ◆ Our status as a large, local firm allows us to offer a wide range of services while remaining flexible and responsive to client needs.
- ◆ We bring a strategic perspective to engagements rather than focusing exclusively on the task at hand.

### ***VLS IS QUALIFIED***

VLS is qualified to perform your audit engagement because of the strong presence and expertise that we have developed in the charter school and educational arenas during our 60 years of service. Since we are independent of our clients, our primary goal is to provide them with objective observations regarding their financial statements, accounting controls, and financial reporting processes. We work closely with our clients to help them understand and adjust to the evolving accounting and regulatory changes in the industry.

### ***VLS ADDS VALUE***

While our technical expertise and depth of knowledge are extensive, our greatest strength lies in our people. As the engagement partner, I actively participate in the field, which ensures that issues are quickly communicated to management and disclosed properly to the Board of Directors. Our clients regularly convey their satisfaction with the manner in which we provide services and how we understand their issues and systems.

### ***VLS HELPS YOU NAVIGATE***

We pride ourselves on helping clients manage change, make better decisions, and identify opportunities for growth, profit, or efficiency.

***YOUR PRIMARY CONTACTS***

The following personnel are authorized to make representations for VLS, and they are based out of our office at 2210 E. Route 66, Suite 100, Glendora, CA 91740:

<b>Wade McMullen, Partner</b>	<b>626-857-7300 Ext. 242</b>	<b>wmcmullen@vlsllp.com</b>
<b>Ryan Callahan, Manager</b>	<b>626-857-7300 Ext. 203</b>	<b>rcallahan@vlsllp.com</b>

***ENSURING AN EFFECTIVE TRANSITION***

We believe we share common goals and values with Highland Academy which will enable us to work very well together. We feel that it would be advantageous for both of our organizations to develop our professional relationship and believe that selecting our firm is the best decision you could make for the following reasons:

- ◆ We offer consistent contact and availability of our partners and senior personnel all year round.
- ◆ We have significant experience working with local education agencies, including in-depth experience providing audit and accounting services to charter schools. We understand the issues affecting your operations.
- ◆ Our approach is management oriented and we are committed to complying with all federal and state requirements.

***CLOSING REMARKS***

If you have any questions or need further information, please feel free to call me anytime at the telephone number above. I would be delighted to discuss this proposal and our firm's qualifications with you.

Thank you very much for your consideration.

Sincerely,



Wade McMullen, CPA  
Partner

## **ASSURANCES**

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### ***INDEPENDENCE & LICENSE TO PRACTICE***

Vicenti, Lloyd & Stutzman LLP is qualified to render an opinion on your financial statements 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. We meet the independence requirement of the General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

### ***REGULATORY SANCTIONS***

We have never been assessed any sanctions by State or Federal regulatory agencies for deficient work on any California school district or charter school.

### ***PEER REVIEW***

We are a member of the Private Companies Practice Section (PCPS) of the American Institute of Certified Public Accountants (AICPA). As members of the PCPS, we have an outside peer review of our quality control procedures conducted every three years. These reviews always include educational and governmental engagements. Our most recent peer inspection was conducted in 2013, where we continued the practice of receiving unqualified ("clean") reports. We have never faced disciplinary action.

### ***EQUAL OPPORTUNITY EMPLOYER***

We are an equal opportunity employer. We recruit, hire, train and promote in all job titles without regard to race, color, religion, sex, national origin, ancestry, physical or mental disability, age, medical condition, marital status, military service, sexual orientation, or any other basis protected by law. We believe we are in compliance with all Federal and State civil rights laws.

### ***INSURANCE***

We carry workers' compensation, commercial general liability, commercial automobile liability, and professional liability insurance. We shall provide a certificate of insurance upon your request.

### PEER REVIEW DOCUMENTATION



#### System Review Report

To the Partners of Vicenti, Lloyd & Stutzman, LLP  
and the Peer Review Committee of the  
California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Vicenti, Lloyd & Stutzman, LLP (the firm) in effect for the year ended December 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Vicenti, Lloyd & Stutzman, LLP in effect for the year ended December 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Vicenti, Lloyd & Stutzman, LLP has received a peer review rating of *pass*.

*Campbell Taylor & Company*

May 24, 2013



## FIRM QUALIFICATIONS AND EXPERIENCE

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### *COMPETENCE*

We are recognized throughout the State of California as a leading educational and governmental auditing firm. In addition to charter schools, we specialize in audits of K-12 school districts, county offices of education, colleges and universities, foundations, not-for-profits, and water districts based in California. A significant portion of our professional staff, approximately 40 auditors and consultants, devote most of their time to servicing our educational and governmental client base. Our auditors are all full time employees and are staffed out of our Glendora office.

### *PRESENCE IN THE CHARTER SCHOOL INDUSTRY*

VLS has built an excellent reputation as a firm committed to providing top quality audit, accounting, and consulting services to our charter school clients. We are experienced in the business of charter schools and currently audit over 100 charter schools in California.

The following is a partial list of our current charter school clients:

- ◆ Academy of Science and Engineering
- ◆ ACE Charter Schools
- ◆ Alpha Public Schools
- ◆ Apple Academy Charter Public Schools
- ◆ Arts in Action Community Charter School
- ◆ Bayview Academy of Monterey
- ◆ Birmingham Community CHS
- ◆ Brightstar Schools
- ◆ Bullis-Purissima Elementary School
- ◆ California Connections Academy
- ◆ California Montessori Project
- ◆ Camino Nuevo Charter Academy
- ◆ Capistrano Connections Academy
- ◆ Casa Ramona Technology Academy
- ◆ City Charter School
- ◆ Community Roots Academy
- ◆ Conservatory of Vocal and Instrumental Arts
- ◆ Discovery Charter Prep School
- ◆ East Oakland Leadership Academy
- ◆ Education for Change
- ◆ Evangeline Roberts Institute of Learning
- ◆ Gold Rush Home Study Charter
- ◆ Grimmway Academy
- ◆ ICEF Public Schools
- ◆ iLead Charter Schools
- ◆ Imagine Schools
- ◆ Ivy Academia
- ◆ James Jordan Middle School
- ◆ Journey School
- ◆ KIPP Bay Area Schools
- ◆ KIPP LA Schools
- ◆ Leadership Public Schools
- ◆ Los Angeles Leadership Academy
- ◆ Mare Island Technology Academy
- ◆ Natomas Charter School
- ◆ Navigator Public Schools
- ◆ New Academy
- ◆ New City Public Schools
- ◆ North Oakland Community Charter School
- ◆ Novato Charter School
- ◆ Oasis Charter Public School
- ◆ Orange County High School of Arts
- ◆ Oxford Preparatory Academies
- ◆ Rocketship Education
- ◆ Shasta Secondary Home School
- ◆ Summit Public Schools
- ◆ Sunrise Middle School
- ◆ Synergy Academies
- ◆ Tracy Learning Center
- ◆ Twin Rivers Charter School
- ◆ Valor Academy
- ◆ Voices C-B Language Academy
- ◆ Westlake Charter School

*(See our client contact references on page 9.)*

## **FIRM QUALIFICATIONS AND EXPERIENCE**

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### ***TRAINING IN KEY ISSUES FACING THE CHARTER SCHOOL INDUSTRY***

It is our duty to our clients to be well educated about the issues facing the charter school industry. We achieve this by actively participating in various organizations and subscribing to several publications. We are equally committed to keeping our professionals apprised of the latest technical developments in the areas of audit, accounting, tax, and information systems. Every year, we attend education and development courses that meet or exceed our profession's standards. As a service to our clients, we attempt to distribute technical information updates as soon as we become aware that a specific client will be affected by a new accounting pronouncement or tax law change. We have an extensive reference library and internet service capacity at our offices, and they are available to our clients. In brief, we are able to help you deal with the multitude of significant issues you and other charter schools face.

In addition to the clients we serve, we are involved in organizations in the educational and governmental industries such as:

- ◆ **California Charter Schools Association (CCSA)**
- ◆ **California Association of School Business Officials (CASBO)**
- ◆ **Association of School Business Officials (ASBO)**
- ◆ **Association of California School Administrators (ACSA)**
- ◆ **California School Boards Association (CSBA)**
- ◆ **Coalition for Adequate School Housing (C.A.S.H.)**
- ◆ **Western Association of College and University Business Officers (WACUBO)**
- ◆ **State Government Accounting Committee**

### ***KEY RELATIONSHIPS***

We work closely with your sponsoring district and County Office of Education to ensure that audit issues are effectively and appropriately addressed. We have also acted on behalf of many charter schools to determine which audit and reporting standards are applicable to charter schools. We are on the leading edge, conferring with GASB & FASB, to help charter schools handle emerging accounting issues.

### ***RANGE OF ACTIVITIES***

We have the capacity to offer a wide range of services besides audits. We have highly-qualified experts on staff who assist in areas such as tax preparation and planning, budgeting and analysis, revenue enhancement, interim controllers, internal control and fraud prevention, facilities planning and accounting, accounting software systems, and much more.

## AUDITORS' STAFFING & QUALIFICATIONS

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### **TEAM APPROACH**

We feel it is imperative that you have consistent contact with the partner assigned to your engagement. A second partner is also assigned to you and is responsible for keeping informed of the progress and issues concerning your engagement. This additional partner reviews the final audit report and is available to address any questions or concerns your organization may have. While some CPA firms offer clients limited access to their designated partners and managers, *at VLS we encourage regular contact.*

### **ENGAGEMENT LEADERS**

Below are the key members of the engagement team that will be assigned to you, and they are based out of our office at 2210 E. Route 66, Suite 100, Glendora, CA 91740.

**Wade McMullen, CPA – Client Partner** – The Client Partner will manage the audit services and therefore have responsibility for the overall performance of our personnel. To ensure that this goal is achieved, Wade will closely monitor the progress of the engagement and will perform the audit procedures of the more complicated areas of the audit. He will be available at all times to address any issues that senior staff on the job might have, and also be *available at all times to your organization's personnel* to respond to any questions or concerns. He is licensed to practice as a Certified Public Accountant in the state of California. Wade can be reached at 626-857-7300, Extension 242.

**Ryan Callahan, CPA – Manager** – The Manager will conduct most of the detailed fieldwork along with the designated staff members. Ryan will be responsible for the on-site progress of the engagement and will supervise the designated staff members. Ryan can be reached at Extension 203.

Whenever you have a question or concern, please feel free to contact the Client Partner, Manager, or any member of the engagement team *at any time.*

### **BIOGRAPHIES**

**Wade McMullen** is a Partner of VLS with over twenty years of experience planning, directing, and supervising audits of not-for-profits, charter schools and private colleges and universities. He has extensive knowledge of A-133 audits, community colleges, college foundations, and K-12 school districts as well. He specializes in not-for-profit external controllerships and taxation services for tax exempt organizations, individuals, partnerships, and corporations. Wade conducts internal control reviews and analyses, cash flow analyses, and cash management reviews and he investigates and reports on fraud related cases. He assists with year-end closings and accounting related issues, and he assists and reviews financial projections and budgets.

**Ryan Callahan** is a Manager at VLS with seven years of audit experience. He has planned, performed and supervised audits and attestation services for non-profit organizations including foundations, religious organizations, Housing and Urban Development projects, and charter schools. He has performed taxation services for tax-exempt organizations and individual income tax returns. Ryan has also served the non-profit community by providing consulting services for cash flow improvements, budgetary services, exempt status formation process and exempt status reinstatements.

*(See the résumés of the engagement team on pages 20-21.)*

## CLIENT REFERENCES

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The following are charter school clients that we have provided audit services to over the past three years. Please feel free to contact them regarding VLS.

### **ACE Charter School**

Greg Lippman, Executive Director

Mike Abbott, Director of Finance

1100 Shasta Avenue, #250

San Jose, CA 95126

Tel: (408) 295-6008

Scope of audit work: Audit of financial statements for the fiscal year ending 6/30/14, in accordance with FASB generally accepted auditing standards and OMB Circular A-133.

### **Summit Public Schools**

Isabelle Parker, Chief Financial Officer

455 5<sup>th</sup> Ave.

Redwood City, CA 94063

Tel: (650) 366-1050

Scope of audit work: Audit of financial statements for the fiscal year ending 6/30/14, in accordance with FASB generally accepted auditing standards and OMB Circular A-133.

### **Leadership Public Schools**

344 Thomas L. Berkley Way, Suite 340

Oakland, CA 94612

Tel: (510) 830-3780

Scope of audit work: Audit of financial statements for the fiscal year ending 6/30/14, in accordance with FASB generally accepted auditing standards and OMB Circular A-133.

### **KIPP Bay Area Schools**

Beth Sutkus Thompson, Executive Director

1404 Franklin St., #500

Oakland, CA 94612

Tel: (510) 465-5477

Scope of audit work: Audit of financial statements for the fiscal year ending 6/30/14, in accordance with FASB generally accepted auditing standards and OMB Circular A-133.

### **Rocketship Education**

Margaret Diesel, Controller

350 Twin Dolphin Drive, Suite 109

Redwood City, CA 94065

Tel: (650) 740-4290

Scope of audit work: Audit of financial statements for the fiscal year ending 6/30/14, in accordance with FASB generally accepted auditing standards and OMB Circular A-133.

### **KIPP LA Schools**

Marcia Aaron, Executive Director

4545 Dozier Avenue

Los Angeles, CA 90022

Tel: (213) 489-4461

Scope of audit work: Audit of financial statements for the fiscal year ending 6/30/14, in accordance with FASB generally accepted auditing standards and OMB Circular A-133.

## AUDIT SERVICES

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### *AUDIT APPROACH & PHILOSOPHY*

We feel it is imperative that you have consistent contact with the appropriate experts from our firm. Therefore, we assigned the aforementioned engagement team based upon their experience and expertise. While some CPA firms offer limited access to the partner assigned to a given client, we encourage regular contact with the partners and senior personnel assigned to serve you.

Our “strategic partner” concept includes the belief that our clients are best served when they have developed relationships with more than just one person. We ensure that two partners are assigned to each key client. This results in better planning and advising for you and also better service since a back-up partner is available if the main partner contact is on vacation or otherwise unable to respond to your needs.

Similarly, we also assign two of our top staff members to the job. Again, this provides continuity of service should one person be unavailable. It also means jobs can get done more quickly.

It is advantageous to maintain continuity in staff assigned to the audit from year to year from both your standpoint and ours. The audit will go smoother as we will be familiar with your people and accounting records. ***It is also cost effective as time on the job can be utilized for actually doing the audit as opposed to learning your systems.*** This is advantageous to us, as well, as it helps us stay within our time budget.

Staff turnover is to be expected in any business environment – both ours and yours. Our experience in this area varies from year to year. While we cannot promise there will be no turnover on your audit, we can assure you that every effort will be made to assign some of the same people from year to year and, if necessary, to replace manager or supervisor level staff with individuals who have already worked on your audit. ***We have never had an occasion where the entire audit staff on an audit such as yours turned over between one year and the next.*** We understand that some of our new clients experienced that with their prior auditors. An advantage of normal staff turnover is it can bring a fresh look to your operations without the need to change audit firms.

While we stress consistency in personnel, we also will realize the need for periodic rotation of personnel to ensure objective viewpoints. We discuss this with your management and/or finance committee to determine the appropriateness of rotation. Over the years we will have several different people assigned to your work. ***We believe this will result in a fresh look at the audit and issues facing Highland Academy.***

## AUDIT SERVICES

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### *AUDIT SCOPE & OPINION*

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America. We will also specifically follow the Statements on Auditing Standards, published by the American Institute of Certified Public Accountants.

Also, the examination of financial records, statements, and audits for compliance will be made in accordance with California Charter School Laws and Regulations and the applicable provisions of the Education Code of the State of California.

The primary purpose of the audits specified herein is to express an opinion on the financial statements and that such an examination is subject to the inherent risk that errors or fraud may not be detected. If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will promptly advise you.

To arrive at our opinion, we expect to use normal auditing tests and sampling procedures of the transactions. A detailed examination of every transaction which might be necessary to disclose defalcations will not be made because of the large outlay of time and cost that would be required.

The audit report will include the all required auditors' reports, financial statements, schedules and supplementary information, and notes pertaining to the accounting records and procedures. We expect to have conferences and discussions with appropriate officials and employees to review the audit and report observations concerning any situations which might appear to require corrective action. It is our desire to make the audit as constructive and productive of positive results as possible.

We will prepare and submit a draft of the preliminary audit report for review to Highland Academy. We will provide the Board President of Highland Academy copies of the audit report by December 15th of each year.

Upon request, we will also file one copy of the audit report with each of the following agencies:

- ◆ **California Department of Education**
- ◆ **Controller of State of California**
- ◆ **Riverside County Office of Education**
- ◆ **Beaumont Unified School District**

## AUDIT SERVICES

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### *OTHER COMMUNICATIONS ARISING FROM THE AUDIT*

In connection with the planning and the performance of our audit, auditing standards generally accepted in the United States of America require that we communicate certain matters to the Audit Committee, and Senior Management, as appropriate. We will communicate to the Audit Committee and Senior Management any irregularities and illegal acts, that are clearly not inconsequential, and reportable conditions to the extent that they come to our attention. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that could adversely affect your organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, we will communicate to the Audit Committee certain other matters related to the conduct of our audit, including:

- ◆ **Significant accounting policies**
- ◆ **Management judgments and accounting estimates**
- ◆ **Significant audit adjustments**
- ◆ **Disagreements with management**
- ◆ **Difficulties encountered in performing the audit**
- ◆ **Major issues discussed with management prior to our retention as auditor**

We may also have other comments for management on matters we have observed and possible ways to improve the efficiency of your operations, or other recommendations concerning the internal control structure.

With respect to these other communications, it is our practice to discuss comments, if appropriate, with the level of management responsible for the matters prior to their communication to senior management and the Audit Committee.

### *USE OF TECHNOLOGY BY THE AUDIT TEAM*

At VLS, technology is an important component in providing better service to our clients. We currently employ Engagement CS Software, a paperless audit system, which provides powerful tools to help us prepare, organize, review, and share working papers during the engagement. Through the use of an integrated trial balance database, we are able to download data from a client's financial applications and generate draft financial statements at the time fieldwork is completed.

We also utilize data extraction software to further expedite the audit process. We will make every effort to take advantage of your systems to make the audit as efficient and effective as possible. This includes using technology to help us minimize the time we need to spend incurring travel costs and our client's precious time during audit field-work.

# AUDIT SERVICES

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## AUDIT PLAN

<u>Time Frame</u>	<u>Engagement Activity</u>	<u>Estimated Hours</u>
MAR – JUNE	<b>Initial Audit Planning</b> ..... <p>Initial audit planning includes a pre-audit meeting with management and key client staff, as well as other procedures designed to develop a reasonably comprehensive understanding of the organization and its operating environment. A preliminary listing of items to be prepared by management will be delivered, based upon the results of this engagement activity.</p>	2
	<b>Internal Control Consideration, Documentation, and Assessment</b> .....	4
	<p>We are required to consider the organization’s internal control in planning and performing the audit in accordance with auditing standards generally accepted in the United States of America. We will also design the audit to provide reasonable assurance that the financial statements are free of material misstatements resulting from violations of laws and regulations that have a direct and material effect on the financial statements. We will inquire of organization personnel the overall internal control structure; specifically, controls over cash receipts, cash disbursements, maintenance and operations, segregation of duties, and physical safeguards to determine the extent of internal control reliance in planning the audit.</p>	
	<b>Internal Control &amp; Compliance Testing</b> .....	12
	<p>The audit team will test internal controls and state compliance. Our sampling will be judgmental, based upon our preliminary assessment of audit risk. Transactions in any particular cycle may range from 10 – 25.</p>	
	<b>Preliminary Analytical Review</b> .....	2
	<p>These analytical review procedures are applied to help the audit team plan the nature, timing, and extent of other auditing procedures. These procedures also enhance our understanding of the transactions and events that have occurred since the last audit date and identify areas that may represent specific risk relevant to the audit.</p>	
	<b>Audit Risk Assessment and Planning</b> .....	3
	<p>The audit team will consider audit risk, together with materiality, to determine the nature, timing, and extent of audit procedures and the evaluation of those procedures.</p>	



## AUDIT SERVICES

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### AUDIT PLAN (continued)

<u>Time Frame</u>	<u>Engagement Activity</u>	<u>Estimated Hours</u>
	<i>Consideration of Fraud</i> .....	<u>2</u>
	Statements on Auditing Standards require procedures that the audit team will use to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud.	
<b>AUG – SEPT</b>	<i>Account Balance and Compliance Testing</i> .....	<u>28</u>
	The audit team will test specific accounts and compliance requirements as they relate to the financial statements. We will utilize extraction software for purposes of sampling. We will also download the organization’s final trial balances and integrate evidential matter into our work-papers.	
	<i>Data Analysis and Final Analytical Review</i> .....	<u>3</u>
	These procedures are designed to help the audit team assess the conclusions reached during the course of the audit and to evaluate the overall financial statement presentation.	
<b>OCT</b>	<i>Report Generation</i> .....	<u>10</u>
	We will generate a preliminary draft of the financial statements, any supplementary schedules, and all required reports. We will submit two copies of the preliminary draft for review by the organization. We will then initiate a field exit meeting with management to discuss remaining audit issues.	
	<i>Report Finalization and Audit Committee</i> .....	<u>2</u>
	We will finalize the audited financial statements and required reports.	
<b>THROUGH- OUT</b>	<i>Quality Control Review</i> .....	<u>2</u>
	Quality control review procedures occur throughout the audit process and are designed to assure quality control and to identify audit issues as they arise. We will also schedule various meetings with management and other officials to discuss the audit or related matters.	
	<b><i>Total Estimated Engagement Time Requirements</i></b>	<b><u>70</u></b>

## COST BID

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### *TOTAL MAXIMUM PRICE*

We estimate that our audit fees for the year ended June 30, 2015 will range between \$7,000 and \$8,000. Our estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with management and arrive at a new fee estimate before we incur the additional costs.

Technical questions that may arise during the year are covered in the proposal fee structure, as is the time necessary for VLS to understand the operations of Highland Academy during the first year of our relationship.

Provided that there are no significant changes in audit or regulatory standards and your operations remain fairly consistent, we will limit future increases to the lower of 3% or the Consumer Price Index. Additionally, if you are willing to enter into a three year contract, we will commit to no fee increases over those three years.

### *SUPPLEMENTAL DETAILED SCHEDULE OF PROFESSIONAL FEES & EXPENSES FOR THE FINANCIAL AUDIT OF THE JUNE 30, 2015 FINANCIAL STATEMENTS*

This schedule is intended to provide additional detail on the work effort to be undertaken by Vicenti, Lloyd & Stutzman LLP.

	<u>Hours</u>	<u>Hourly Rate</u>	<u>\$ Total</u>
Partners	5	\$335	\$ 1,675
Supervisory Staff	14	170	2,380
Professional Staff	45	130	5,850
Clerical/Support Staff	<u>6</u>	80	<u>480</u>
Sub Total	70		10,385
<b>Fee Discount</b>			<u><b>(2,385)</b></u>
<b>GRAND TOTAL</b>			<u><b>\$ 8,000</b></u>

## **COST BID**

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### ***CONDITION OF RECORDS***

The above fees for services assume that your records are in adequate condition. We have not estimated any time or fees for any additional work that might be necessary such as compiling financial statement balances and making sure they are presented in accordance with accounting principles generally accepted in the United States of America and reconciling supporting documentation.

If the need for additional work comes to our attention, we will immediately bring this to your attention. If you choose to have us perform the additional work, then such work will be set forth in an addendum to the contract between Highland Academy and VLS.

## ADDITIONAL INFORMATION

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### ***SIZE & STRUCTURE OF THE FIRM***

Our firm was founded in La Verne 60 years ago. We are a limited liability partnership under the laws of the state of California and have operated under the existing name of Vicenti, Lloyd & Stutzman since 1966. We are a large, regional firm and currently have over 60 members including Partners Emeriti Royce Stutzman and Mary Ann Quay, ten partners, six senior managers, ten managers, and other professional and administrative staff. Our professional staff includes over 35 auditors with governmental auditing experience. Our office headquarters are located in Glendora, California. *(See the résumés of those assigned to Highland Academy on pages 20-21.)*

Our status as a large, local firm provides several benefits. Unlike some of the larger firms, we have consistent partner availability and contact. Your needs are top priority for us in scheduling and assigning staff, responding to requests, researching special situations, and so forth.

Our firm's mission is to ***"Make a Positive Difference in Our World"***. We take this very seriously. We look upon our relationships with our clients as that of a ***"strategic partner"***. We consider the audit process to be more than just providing what is needed to meet State, Federal, or lending requirements, even though that is certainly important. We look at our work with you as an opportunity to help you be more successful. We consider ourselves business advisors as well as accountants, and correspondingly try to offer ideas and suggestions that will benefit the future of your organization and help you tackle issues as they arise, even if not related to the audit engagement.

Our firm's size and structure enables us to provide Highland Academy a wide range of services customized to meet your needs. Our personnel are accessible and approachable. We are committed to becoming your trusted advisors and helping you realize your goals. ***In brief, VLS is structured to help Highland Academy maintain long-term success in the current business and education climate.***

### ***CONTAINING AUDIT COSTS***

We know audit time can be reduced and misunderstandings avoided if we both are committed to resolving questions or issues as early as possible. We are available throughout the year to answer questions or suggest ways to treat new or unusual transactions. Similarly, if we encounter something unexpected during our fieldwork that will require a significant amount of work, we will discuss it with you before proceeding. It can then be determined whether it would be more cost effective for us to conduct the additional work, for you to handle before we continue the audit, or a combination of the two.

Due to our well-trained staff, limited job turnover, and our knowledge of the charter school industry and audit standards, we are able to perform our work in a manner that results in a high quality audit without undue wasted time. We do not, however, skim lightly over important areas.

It is important to us that our clients believe they are receiving excellent value for the fees they pay, and we are confident you will feel this way at the conclusion of our engagement.

## ADDITIONAL INFORMATION

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### ***MANAGEMENT ADVISORY EXPERTISE***

In addition to the services mandated by various educational and governmental organizations (audits, tax compliance, etc.), we provide a wide array of additional services to assist our clients in obtaining their goals, if desired and requested by you, but only if they are allowable and reasonable based on our professional independence rules.

Our management advisory services include analysis of costs, development of techniques to communicate cost changes to the Governing Board and members, assistance with review and implementation of management information systems, feasibility studies, assistance with planned giving programs, and more.

Even if our Management Advisory staff is not directly involved with the engagement, their in-house experience is available to our audit staff to help them bring more value to the audit process.

### ***ACCOUNTING STANDARDS EXPERTISE***



Vicenti, Lloyd and Stutzman has provided assistance to most of our clients in implementing new FASB and GASB pronouncements, including compliance with GASB 34. We have a thorough knowledge of the requirements and an understanding of those areas which clients find difficult.



### ***OTHER AREAS OF EXPERTISE***



A service we have been providing to some of our clients is preparation of indirect cost rate proposals. Our CPAs are familiar with the requirements of OMB Circular A-21 (Cost Principles for Educational Institutions) and the calculation methods.



Partners Linda Saddlemire, Ernie Cooper, and Derrick DeBruyne are all CPAs and Certified Fraud Examiners (CFE). The CFE designation is awarded to select professionals responsible for detecting, deterring, and investigating fraud. We can help clients prevent fraud by identifying their high-risk areas and assuring that maximum controls are in place. In addition, we have various referral sources for a fraud hotline, which allows our clients' employees to call our office directly if they identify potential fraud or abuse. This type of program has helped organizations save thousands of dollars. We have additional CFE's on staff.



The Certified Government Financial Management (CGFM) designation reflects specialized knowledge and training in public financial management and the safeguarding of the public trust by ensuring compliance and accountability for public funds and efficient and effective delivery of services by the public entity. Renée Graves is both a CPA and a CGFM. Her CGFM was obtained by taking a three part exam in the areas of the Governmental Environment, Governmental Accounting, Financial Reporting and Budgeting, and Governmental Financial Management and Control.

## **ADDITIONAL INFORMATION**

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### ***PARTIAL LIST OF OTHER RECENT EDUCATIONAL & GOVERNMENTAL AUDIT CLIENTS***

#### **Water Districts**

Main San Gabriel Basin Watermaster  
Pico Water District  
Valencia Heights Water Company

#### **College Foundations & Auxiliary Services**

Cal State Univ., Northridge Foundation  
Cal State Polytechnic Univ., Pomona Foundation  
Cal State Univ., Dominguez Hills Foundation  
Citrus Community College Foundation  
Coast Community College District Foundation

Coastline Community College Foundation  
Golden West College Foundation  
Mt. San Antonio Community College  
Auxiliary Services  
Orange Coast College Foundation

#### **Community College Districts**

Chaffey Community College District  
Citrus Community College District  
Coast Community College District  
Compton Community College District  
Hartnell Community College District  
Long Beach Community College District

Mt. San Antonio Community College District  
Palomar Community College District  
Pasadena City College District  
Santa Monica Community College District  
Ventura County Community College District

#### **K-12 School Districts**

Brea Olinda Unified School District  
Brentwood Union School District  
Burbank Unified School District  
Carlsbad Unified School District  
Carmel Unified School District  
Central Unified School District  
Compton Unified School District  
Duarte Unified School District  
East Whittier City School District  
Fillmore Unified School District  
Fontana Unified School District  
Glendale Unified School District  
Inglewood Unified School District  
Long Beach Unified School District  
Mountain View School District

Oxnard Union High School District  
Paramount Unified School District  
Pasadena Unified School District  
Perris Union High School District  
Pleasant Valley School District  
Pomona Unified School District  
Rowland Unified School District  
Saddleback Valley Unified School District  
Santa Paula Elementary School District  
Temecula Valley Unified School District  
Ventura Unified School District  
Victor Valley Union High School District  
Whittier Union High School District

#### **Education Agencies**

KCRW Foundation  
Los Angeles County Schools Regional  
Business Services Corporation  
Metropolitan Employee Benefits Trust  
Pupil Transportation Cooperative

San Bernardino County Superintendent  
of Schools  
Schools Linked for Insurance Management

## Wade McMullen, CPA Partner

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### *PRACTICE AREAS:*

- Audits
- Tax Exempt Organization Reporting
- Unrelated Business Income
- Not-for-Profit External Controllershops
- Single Audits under Federal Circular A-133
- Corporate Taxes
- Partnership Taxes
- Internal Control Reviews



### *INDUSTRY EXPERTISE:*

- Charter Schools
- Private Colleges and Universities
- Private Schools
- College Foundations
- Not-for-Profit Organizations

### *PROFESSIONAL BACKGROUND:*

- Joined Vicenti, Lloyd & Stutzman in 1992; Named Partner in 2003
- Member of Vistage International – An International CEO Membership Organization
- California Charter Schools Conference Presenter

### *PROFESSIONAL AND COMMUNITY ACTIVITIES:*

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- California Charter Schools Association
- California Association of School Business Officials
- Western Association of College and University Business Officials

### *LICENSE:*

- Licensed to practice as a Certified Public Accountant in the state of California since July of 1996.

### *EDUCATION:*

- Bachelor of Arts in Business Administration, concentration in Accounting, California State University, San Bernardino

### *PERSONAL:*

- Wade enjoys spending time with his wife and two daughters, reading, golfing, and playing basketball.

# Ryan Callahan, CPA

## Manager

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### *PRACTICE AREAS:*

- Audits
- Single Audits under Federal Circular A-133
- Reviews and Compilations
- Exempt Organization Tax Reporting
- Individual Tax Return Preparation

### *INDUSTRY EXPERTISE:*

- Not-for-Profit Organizations
- Charter Schools
- Private Colleges and Universities
- Retirement Communities
- Foundations
- Multi-Family Housing HUD projects
- Public Housing Authorities

### *PROFESSIONAL BACKGROUND:*

- Joined Vicenti, Lloyd & Stutzman in 2014
- Van Dyk & Associates, Manager, 2013-2014
- Smith Marion & Co., Manager, 2008-2013
- Van Dyk & Associates, Accountant, 2007-2008

### *PROFESSIONAL AND COMMUNITY ACTIVITIES:*

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
  - Chair, Inland Empire Chapter Non-Profit Committee

### *LICENSE:*

- Licensed to practice as a Certified Public Accountant in the state of California since November of 2011.

### *EDUCATION:*

- Bachelor of Science in Business Administration and Accounting, California State University, San Bernardino

### *PERSONAL:*

- Ryan enjoys traveling with his family, fishing and camping.

