



WISH Charter
Westside Innovative School House

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

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

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Westside Innovative School House
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Westside Innovative School House (the Charter School) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Charter School, as of June 30, 2018, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Vannink, Tai, Day & Co., LLP

Rancho Cucamonga, California
October 19, 2018

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	WISH Community	WISH Academy	Total
ASSETS			
Current Assets			
Cash	\$ 561,637	\$ 150,914	\$ 712,551
Accounts receivable	582,421	120,118	702,539
Prepaid expenses and other current assets	18,387	1,407	19,794
Total Current Assets	<u>1,162,445</u>	<u>272,439</u>	<u>1,434,884</u>
Non-Current Assets			
Fixed assets	236,525	51,340	287,865
Less: accumulated depreciation	<u>(182,871)</u>	<u>(7,860)</u>	<u>(190,731)</u>
Total Non-Current Assets	<u>53,654</u>	<u>43,480</u>	<u>97,134</u>
Total Assets	<u>\$ 1,216,099</u>	<u>\$ 315,919</u>	<u>\$ 1,532,018</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 139,862	\$ 31,143	\$ 171,005
Current portion of long-term obligations	86,008	125,000	211,008
Total Current Liabilities	<u>225,870</u>	<u>156,143</u>	<u>382,013</u>
Long-Term Obligations			
Non-current portion of long-term note	15,000	125,000	140,000
Total Liabilities	<u>240,870</u>	<u>281,143</u>	<u>522,013</u>
NET ASSETS			
Unrestricted	975,229	34,776	1,010,005
Total Net Assets	<u>975,229</u>	<u>34,776</u>	<u>1,010,005</u>
Total Liabilities and Net Assets	<u>\$ 1,216,099</u>	<u>\$ 315,919</u>	<u>\$ 1,532,018</u>

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

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	WISH Community	WISH Academy	Total
REVENUES			
Local Control Funding Formula	\$ 5,653,679	\$ 701,487	\$ 6,355,166
Federal revenue	248,022	474,543	722,565
Other State revenue	926,687	56,960	983,647
Local revenue	781,562	451,985	1,233,547
Total Revenue	<u>7,609,950</u>	<u>1,684,975</u>	<u>9,294,925</u>
EXPENSES			
Program services			
Teacher salaries and benefits	4,375,774	772,935	5,148,709
Other student services	196,963	53,997	250,960
Educational programs	164,863	6,661	171,524
Student supplies	94,046	262,434	356,480
Student nutrition	185,957	27,819	213,776
Special education fee	109,369	11,105	120,474
Depreciation	28,957	7,860	36,817
Capital outlay	99,387	112,560	211,947
Subtotal	<u>5,255,316</u>	<u>1,255,371</u>	<u>6,510,687</u>
Management and general			
Clerical salaries and benefits	1,063,341	144,724	1,208,065
District supervisory fee	56,399	7,015	63,414
Occupancy	348,412	86,471	434,883
Insurance	49,540	9,092	58,632
Other sources and uses	809	-	809
Operating expenses	469,143	144,185	613,328
Subtotal	<u>1,987,644</u>	<u>391,487</u>	<u>2,379,131</u>
Total Expenses	<u>7,242,960</u>	<u>1,646,858</u>	<u>8,889,818</u>
CHANGE IN UNRESTRICTED NET ASSETS	366,990	38,117	405,107
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>608,239</u>	<u>(3,341)</u>	<u>604,898</u>
NET ASSETS, END OF YEAR	<u>\$ 975,229</u>	<u>\$ 34,776</u>	<u>\$ 1,010,005</u>

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

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	WISH Community	WISH Academy	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in unrestricted net assets	\$ 366,990	\$ 38,117	\$ 405,107
Adjustments to reconcile increase in net assets to net cash provided by (used) operating activities			
Depreciation expense	28,957	7,860	36,817
Changes in operating assets and liabilities			
Decrease (Increase) in accounts receivable	84,527	(60,145)	24,382
Decrease (Increase) in prepaid expenditures	40,724	(1,407)	39,317
Decrease in deferred revenue	(50,674)	-	(50,674)
Increase in accounts payable	(338,616)	(32,171)	(370,787)
Net Cash Provided (Used) by Operating Activities	<u>131,908</u>	<u>(47,746)</u>	<u>84,162</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	<u>(1,677)</u>	<u>(51,340)</u>	<u>(53,017)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Proceeds	-	250,000	-
Loan principal payments	(174,998)	-	(174,998)
Net Cash Provided by (Used in) Financing Activities	<u>(174,998)</u>	<u>250,000</u>	<u>(174,998)</u>
NET INCREASE (DECREASE) IN CASH	(44,767)	150,914	106,147
CASH, BEGINNING OF YEAR	<u>606,404</u>	<u>-</u>	<u>606,404</u>
CASH, END OF YEAR	<u>\$ 561,637</u>	<u>\$ 150,914</u>	<u>\$ 712,551</u>
Supplemental cash flow disclosure:			
Cash paid during the period for interest	<u>\$ 809</u>	<u>\$ -</u>	<u>\$ 809</u>

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

**WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - ORGANIZATION AND MISSION

Westside Innovative School House

Westside Innovative School House, Inc. (WISH) is a California non-profit corporation specifically organized to operate public charter schools. The initial charter petition for Westside Innovative School House, a K-6 elementary school, was approved by the Los Angeles Unified School District (the District) for five years commencing July 1, 2010. On November 18, 2014, the District's Governing Board voted to renew WISH for a five-year term effective July 1, 2015 through June 30, 2020. On July 1, 2018, the school merged with Westside Innovative School House Charter Middle which was approved by the District for five years commencing on July 1, 2014. Westside Innovative School House Charter Middle is now renamed as WISH Community School.

WISH receives most of its support from the Federal, State, and local governments directly or through the District. Although WISH is a part of the sponsoring district, it is considered independent from the District because all decisions, including curriculum and those regarding management and the use of funds, are made at the school level.

WISH Community School

WISH Community School (WISH Community) was numbered by the California State Board of Education on January 16, 2014, and began on August 18, 2014, and currently serves 725 students in grades kindergarten through eighth grade.

Charter School number authorized by the State: 1627

WISH Academy High School

WISH Academy High School (WISH Academy) site is located in Los Angeles, California at 7400 W. Manchester Avenue. WISH Academy began on August 16, 2017 and currently serves 75 students in grade nine.

Charter school number authorized by the State: 1863

Other Related Entities

Joint Powers Agency and Risk Management Pools - The Charter School is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of the Charter School. Additional information is presented in Note 11 to the financial statements.

Mission and Philosophy

The WISH mission is to maximize every scholar's learning potential within an atmosphere of caring and belonging. The WISH instructional philosophy rests upon the concepts of hands on learning, meaningful instructional activities, systematic instruction, and a collaborative group of professionals working together to make the learning environment exciting for students. Evidence-based teaching strategies are tailored to meet individual development.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation

WISH is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. WISH had no temporarily restricted and permanently restricted net assets, as of June 30, 2018. In addition, WISH is required to present a statement of cash flows.

Accounting Method - Basis of Accounting

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

Revenue Recognition

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

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions." During 2017-2018, WISH did not receive donor-restricted contributions.

Income Taxes

WISH is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies, however, WISH is not aware of any such actions at this time.

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

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Cash

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018, management had determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

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

Fixed Assets

It is WISH's policy to capitalize individual property and equipment purchases over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Leasehold improvements, furniture, and equipment are depreciated using the straight-line method, over 3 to 39 years. Depreciation expense for the year ended June 30, 2018, was \$36,817.

Donated Services, Goods, and Facilities

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2018, WISH had no designated balances.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases (see Note 9),

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH

Cash at June 30, 2018, consisted of the following:

	WISH Community	WISH Academy	Total	Bank Balance
Deposits				
Cash on hand and in banks	\$ 561,637	\$ 150,914	\$ 712,551	\$ 992,945

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). WISH maintains its cash in bank deposit accounts that at times may exceed federally insured limits. WISH has not experienced any losses in such accounts. At June 30, 2018, WISH has a balance of \$742,945 in excess of FDIC insured limits. Management believes WISH is not exposed to any significant risk related to cash.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of the following:

	WISH Community	WISH Academy	Total
Local Control Funding Formula	\$ 337,222	\$ 51,666	\$ 388,888
Federal receivable	50,943	44,493	95,436
Other State receivable	1,830	3,147	4,977
Lottery	150,621	14,787	165,408
Local receivable	41,805	6,025	47,830
Total Accounts Receivable	<u>\$ 582,421</u>	<u>\$ 120,118</u>	<u>\$ 702,539</u>

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at June 30, 2018, consisted of the following:

	WISH Community	WISH Academy	Total
License fees, insurance and other dues	<u>\$ 18,387</u>	<u>\$ 847</u>	<u>\$ 19,234</u>

NOTE 6 - FIXED ASSETS

Fixed assets at June 30, 2018, consisted of the following:

	WISH Community	WISH Academy	Total
Improvement of sites	\$ 12,900	\$ -	\$ 12,900
Computer and equipment	200,817	49,625	250,442
Furniture	22,808	1,715	24,523
Subtotal	236,525	51,340	287,865
Less: Accumulated depreciation	(182,871)	(7,860)	(190,731)
Total Fixed Assets	<u>\$ 53,654</u>	<u>\$ 43,480</u>	<u>\$ 97,134</u>

During the year ended June 30, 2018, \$36,817 was charged to depreciation expense.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	WISH Community	WISH Academy	Total
Salaries and benefits	\$ 32,492	\$ 6,351	\$ 38,843
Vendor payables	100,212	23,646	123,858
Due to grantors	7,158	1,146	8,304
Total Accounts Payable	<u>\$ 139,862</u>	<u>\$ 31,143</u>	<u>\$ 171,005</u>

NOTE 8 - LONG TERM OBLIGATIONS

California School Finance Authority Revolving Loan Fund Program

During the 2013-2014 fiscal year, WISH Community School applied for, and was accepted into the California School Finance Authority Charter School Revolving Loan Fund Program. The WISH Community School received a loan in the amount of \$250,000. The loan bears an interest rate of 0.22 percent and will be repaid during the months of September, October, November, December, January and March of each year. The loan is scheduled to be repaid over a period of five years and the repayments will be withheld from the apportionment payments due to WISH Community School.

Future Payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
<u>2019</u>	<u>\$ 50,008</u>	<u>\$ 76</u>	<u>\$ 50,084</u>

During the 2017-2018 fiscal year, WISH Academy High applied for, and was accepted into the California Department of Education Charter School Revolving Loan Program. The School received a loan in the amount of \$250,000. The loan bears an interest rate of 1.05 percent and will be repaid during the months of September, October, November, December, January and March of each year. The loan is scheduled to be repaid over a period of five years and the repayments will be withheld from the apportionment payments due to WISH Academy High School.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Future Payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 125,000	\$ 4,081	\$ 129,081
2020	125,000	939	125,939
Total	<u>\$ 250,000</u>	<u>5,020</u>	<u>\$ 255,020</u>

Promissory Note

During the 2014-15 fiscal year, WISH entered into a promissory note agreement with Lynda Modaff and Steve O'Loughlin for \$250,000. A portion of the loan in the amount of \$17,500 went to WISH Charter Middle School and the remaining \$232,500 went to WISH Charter Elementary School. The loan shall be repaid in its entirety after June 30, 2016, with interest payable on unpaid principal at the rate of three percent per annum. As of June 30, 2018, the outstanding balance of the loan for WISH Community School has been paid off.

NOTE 9 - OPERATING LEASES

For the 2017-18 fiscal year, WISH Community School entered into a lease agreement with LAUSD for the use of one of their school sites to house grades K-5. The location is at Orville Wright Engineering and Design Magnet and the pro rata share charge for the use of the site will be \$253,590.

For the 2017-18 fiscal year, WISH Community School entered into a lease agreement with LAUSD for the use of one of their school sites to house grades 6-8. The location is at Cowan Elementary School and the pro rata share charge for the use of the site will be \$78,955.

WISH Academy High School entered into a one-year lease agreement on March 31, 2017, with Los Angeles Unified School District in which the school would occupy Westchester Enriched Science Magnet School (School Site) for its campus location for the pro rata share amount of \$83,996. Lease payments will begin July 1, 2017.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

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

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

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Charter School contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

WESTSIDE INNOVATIVE SCHOOL HOUSE
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the Charter School's total contributions were \$526,592.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$337,135 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

403(b) Tax Deferred Annuity Plan

WISH established a classified employee 403(b) retirement plan (the Plan) effectively on January 1, 2014, which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. In accordance with the terms of the Plan, all eligible employees can make pre-tax deferral contributions and/or Roth deferral contributions. Employers may make a discretionary matching contribution equal to a uniform percentage or dollar amount of effective deferrals up to six percent of each participant's compensation.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

There are no excluded employees with regard to elective deferrals while certificated employees are excluded from matching contributions. WISH defines employees for discretionary employer matching contributions as employees who are 21 years of age, employed for a period of 90 days and are not participants of California State Teachers Retirement System (CalSTRS).

For eligibility of matching contributions, an employee must complete 1,000 hours of service during the relevant eligibility computation period to receive a credit for one year of service.

During the fiscal year ended June 30, 2018, WISH contributed \$9,107, which is two percent matching contributions of eligible participants.

NOTE 11 - PARTICIPATION IN JOINT POWERS AUTHORITY

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

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and the Charter School are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018, the Charter School made payments of \$113,804 to CharterSAFE for service related to workers' compensation and liability insurance. At June 30, 2018, the Charter School had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 12 - LEGAL SETTLEMENTS

WISH and the District have a Memorandum of Understanding that requires both WISH and the District to be named as respondents in any due process proceeding initiated by a parent or guardian of a WISH student.

These financial statements include an accrual of \$51,000 of which \$36,000 is reported as current portion of long-term obligations and for a settlement agreement entered into in a prior year. WISH has agreed to pay back the settlement and has made required payments as outlined in the agreement.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - CONTINGENCIES

Grants

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

Litigation

WISH is not currently a party to any litigation.

NOTE 14 - SUBSEQUENT EVENTS

WISH's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through October 19, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions, other than those noted below, that would have a material impact on the current year financial statements.

WISH has entered into agreements for 2018-2019 Prop 39 for WISH Community - grades K-5 on Orville Wright Campus; grades 6-8 on Westchester High campus and WISH Academy on Westchester High Campus.

SUPPLEMENTARY INFORMATION

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

During the 2017-2018 year, Westside Innovative School House operated two school sites for WISH Community School (Charter № 1627), and WISH Academy High School (Charter № 1863). The schools are authorized by the Los Angeles Unified School District.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Michelle Windmueller	President	June 30, 2020
Dr. Danelle Fisher	Vice President/Secretary	June 30, 2020
Miles Remer	Treasurer	June 30, 2020
Mike Abercrombie	Member	June 30, 2020
Suzanne Madison Goldstein	Member	June 30, 2020
Victoria Graf	Member	June 30, 2020
Mary McCullough	Member	June 30, 2020
Irene Oliver	Member	June 30, 2020
Jason Rudolph	Member	December 31, 2018
Matthew Swanlund	Member	June 30, 2019
Benjamin Tysch	Member	June 30, 2020

ADMINISTRATION

Shawna Draxton	Executive Director
Jennie Brook	Financial Manager

See accompanying note to supplementary information.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

WISH Community School

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	309.88	309.80
Fourth through sixth	233.74	233.98
Seventh and eighth	159.31	158.92
Total Regular ADA	702.93	702.70
Extended Year Special Education		
Transitional kindergarten through third	1.26	1.26
Fourth through sixth	1.97	1.97
Seventh and eighth	0.74	0.74
Total Extended Year Special Education	3.97	3.97
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	-	0.51
Total Special Education, Nonpublic, Nonsectarian Schools	-	0.51
Total Regular ADA	706.90	707.18
Classroom based ADA		
Transitional kindergarten through third	308.37	308.23
Fourth through sixth	233.22	233.48
Seventh and eighth	159.10	158.71
Total Classroom based ADA	700.69	700.42
Extended Year Special Education		
Transitional kindergarten through third	1.26	1.26
Fourth through sixth	1.97	1.97
Seventh and eighth	0.74	0.74
Total Extended Year Special Education	3.97	3.97
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	-	0.51
Total Special Education, Nonpublic, Nonsectarian Schools	-	0.51
Total Classroom Based ADA	704.66	704.90

WISH Community operated a short-term non-classroom based independent study program.

See accompanying note to supplementary information.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE, Continued
FOR THE YEAR ENDED JUNE 30, 2018

WISH Academy High School

	<u>Final Report</u>	
	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Ninth through twelfth	<u>71.87</u>	<u>70.97</u>
Total Regular ADA	<u><u>71.87</u></u>	<u><u>70.97</u></u>
Classroom Based ADA		
Ninth through twelfth	<u>71.81</u>	<u>70.84</u>
Total Classroom Based ADA	<u><u>71.81</u></u>	<u><u>70.84</u></u>

WISH Academy High School operated a short-term non-classroom based independent study program.

See accompanying note to supplementary information.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	48,540	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,470	180	N/A	Complied
Grade 2		54,470	180	N/A	Complied
Grade 3		55,930	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,930	180	N/A	Complied
Grade 5		55,930	180	N/A	Complied
Grade 6		60,412	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		60,412	180	N/A	Complied
Grade 8		60,412	180	N/A	Complied
Grades 9	64,800				
Grade 9		67,150	180	N/A	Complied

See accompanying note to supplementary information.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance

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 local education agencies. This schedule provides information regarding the attendance of students.

Schedule of Instructional Time

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

WISH must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

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

INDEPENDENT AUDITOR'S REPORTS



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

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

Governing Board
Westside Innovative School House
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Westside Innovative School House (the Charter School) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vannink, Tui, Day & Co., LLP

Rancho Cucamonga, California
October 19, 2018



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

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Westside Innovative School House
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on State Compliance

We have audited Westside Innovative School House's (the Charter School) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, that could have a direct and material effect on each of the WISH's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Charter School's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about WISH's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of WISH's compliance with those requirements.

Unmodified Opinion

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

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

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

The Charter School did not have expenditures related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

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

The Charter School does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

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

The Charter School did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Vannink, Tui, Day & Co., LLP

Rancho Cucamonga, California
October 19, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

WESTSIDE INNOVATIVE SCHOOL HOUSE
(A California Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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