Audit Committee Meeting
Samueli Academy
Tuesday, October 3, 2017 – 8:00 A.M.
1575 E. 17th Street, Santa Ana, CA 92705

Chris Scheithauer and John Luker conducted the Audit Committee meeting at the Orangewood Foundation offices on March 8, 2017 at 8:00 A.M.

ATTENDANCE

Present	Absent	Staff/Guests
Chris Scheithauer		John Luker, CFO
Carolyn McInerney		Linda Giel, Controller
Liz Dorn-Parker		Matt Miller (VTD)
		John Stumpf, Orangewood
		Ken Parker, Orangewood
		Rick Sherburne, Orangewood

- Chris Scheithauer opened the meeting and welcomed those in attendance.

- There were no public comments.

- The committee reviewed the meeting minutes from the March 8, 2017 meeting and approved unanimously. (CScheithauer 1st, C McInerney 2nd)

- The committee was presented a summary of the audit for Samueli Academy by Matt Miller, Partner with Vavrinek Trine and Day. Mr. Miller noted the Samueli Academy received a clean unqualified opinion. All audit adjustments were agreed to and posted. Mr. Luker noted that there were a couple of cutoff adjustments that affected the balance sheet that were not material. Mr. Miller noted that there were no major issues discussed with management or other auditors. In addition to the clean opinion, there was an unmodified opinion over internal controls for financial reporting and VTD did not find any material weaknesses nor significant deficiencies. There were no management letter comments.

- VTD noted that Samueli Academy did not require a federal single audit due to federal reimbursements being below the $750,000 annual limit at $340,020. On a consolidated bases with Orangewood Foundation this total was $694,106 which was still below the limit. Mr. Luker noted that he did not anticipate going over this amount in the 17-18 fiscal year, however he noted that all

of the work required for a single audit is being done and that all federal expenditures are tracked separately.

- Mr. Miller noted that the State of California does look at federal and state expenditures for school lunch programs very closely with they do their audits. Mr. Luker noted that Samueli Academy did receive an audit this past fiscal year on the school lunch program and noted that there were no adjustments or issues with the audit.

- Mr. Miller reviewed the fiscal year results noting that the net assets for Samueli Academy increased by $818,593 and on a consolidated basis total net assets for the company increased by $5.2 million.

- Liz Dorn-Parker asked about temporarily restricted net assets and why Samueli Academy income showed up as temporarily restricted. Mr. Luker noted that since Samueli Academy income is restricted for the purpose of school operations that the income is shown as temporarily restricted until it is spent for school operations.

- Carolyn McInerney asked about fundraising expenses related to the Holiday Tea. Mr. Luker noted that the fundraising expenses were for all of the fundraising activities through the year and volunteer activities. He noted that over $800k in revenues were received throughout the year. Ms. McInerney asked about the decision to cancel the Holiday Tea and Mr. Luker noted that Carlos Leija Chief Development Officer discussed this with board members and felt it was the right decision. After some discussion, it was determined that this item was going to be discussed at the board retreat and board involvement in overall fundraising would be discussed.

- Mr. Miller noted that the format of the audited statements will change slightly next year due to changes in Financial Accounting Standards for nonprofits. He stated that there will be two classes of restriction (unrestricted and restricted) vs. the current (unrestricted, temporarily restricted and permanently restricted). There will be more description of why funds are restricted and more disclosures regarding liquidity.

- After a review of the audited financials and notes by the committee the DRAFT audited financials were approved unanimously. (CScheithauer 1st, C McInerney 2nd)

- The committee then reviewed the results of the agreed upon procedures for the shared services agreement between Orangewood Foundation and Samueli Academy. Mr. Scheithauer noted that the report should be made out to Samueli Academy and Orangewood Foundation jointly vs to Orangewood Foundation. He also noted that the Samueli Academy audit committee should understand in the future what the testing of the agreed upon procedures is going to be and approve those. Mr. Luker noted that he would include the addition of that as part of the March 2018 meeting for the next fiscal year. Mr. Miller noted that as part of the agreed upon procedures, his team received time tracking from all employees that were part of the shared services agreement. On a sample basis they looked at what was accomplished compared to the duties agreed to. VTD also looked at the time charged to the Samueli Academy in comparison to the actual time spent. He noted that the actual amount of time charged was less than the amount of time spent and that in a review of 3rd parties that would provide a similar service, the amount charged was less than what could be received by an outside party. Mr. Miller noted that he believed the amount charged was conservative and a good example of how other charters should be transparent in these types of

arrangements. The committee approved unanimously the agreed upon procedures report with the noted change of being addressed to the Samueli Academy. (Liz Dorn-Parker 1st, C McInerney 2nd)

- The committee went into EXECUTIVE SESSION (note all staff and public exited the room) to meet with Mr. Miller.

- The committee reopened the meeting to the public.

- The committee reviewed the Conflicts of Interest disclosure noting that there were 4 possible conflicts of interest.

- Mr. Simonsen, CEO, Mr. Luker, CFO noted that they were part of the shared services agreement between the two entities. The committee reviewed and noted that the shared services agreement had been reviewed by the outside auditor and was determined to be conservative and no conflicts of interest existed.

- Mr. Joe Lozowski, a board member of Orangewood Foundation, Samueli Academy's sole voting member and is the owner of Tangram Interiors. Samueli Academy purchased furniture in the 16-17 year for $61,520 with a projected 15% savings of $7,690. It was noted that this did not go out to bid due the urgency of getting the furniture (more students were enrolled than anticipated and the students needed seating) and due to us previously ordering similar furniture that had been competitively priced. Management wanted to get the same type of furniture that matched existing.

- Mr. Piero Wemys is a board member of Orangewood Foundation, Samueli Academy's sole voting member and is a loan officer with F&M Bank. Orangewood Foundation has a loan with F&M bank that was used to finance the construction of Samueli Academy. It was noted that Mr. Wemys joined F&M bank after a relationship had already been established and a residential lender not a commercial lender.

- Based upon the above, the committee voted unanimously that no conflicts of interest existed in these transactions. (Liz Dorn-Parker 1st, C McInerney 2nd)

- With no further business to discuss, the meeting was adjourned at 9:30.

- **Meeting Schedule – The next Audit Committee meeting is scheduled for March 2018. (TBD)**