

EDUCATION FOR CHANGE
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

OPERATING:

CHARTER SCHOOLS:
ACHIEVE ACADEMY (#0780)
ASCEND (#1443)
COX ACADEMY (#0740)
LATITUDE 37.8 HIGH SCHOOL (#2015)
LAZEAR CHARTER ACADEMY (#1464)
LEARNING WITHOUT LIMITS (#1442)

PROPERTY HOLDING LLC:
EPIC 1112 LLC



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Education for Change
Oakland, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Education for Change (the School), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to on page 1 present fairly, in all material respects, the consolidated financial position of the School as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2020 consolidated financial statements, and our report dated March 29, 2021, we expressed an unmodified audited opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying supplementary schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2022 on our consideration of the 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 on the 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 School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
February 23, 2022

EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020)

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,753,275	\$ 13,789,707
Accounts Receivable - Federal and State	10,852,196	7,077,107
Accounts Receivable - Other	21,002	4,820
Prepaid Expenses and Other Assets	29,207	75,910
Total Current Assets	14,655,680	20,947,544
PROPERTY, PLANT, AND EQUIPMENT		
Property, Plant, and Equipment, Net		
Land	1,066,938	1,066,938
Buildings and Building Improvements	6,844,834	2,006,512
Equipment	55,003	55,003
Construction in Progress	24,515,854	14,165,004
Accumulated Depreciation	(416,173)	(344,414)
Total Property, Plant, and Equipment, Net	32,066,456	16,949,043
Total Assets	\$ 46,722,136	\$ 37,896,587
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 5,955,427	\$ 5,904,917
Deferred Revenue	2,018,999	336,333
Notes Payable, Current Portion	8,491,348	-
Total Current Liabilities	16,465,774	6,241,250
LONG-TERM LIABILITIES		
Notes Payable	-	5,259,080
Prop 1D Liability	9,960,852	11,963,477
Prop 51 Liability	2,218,188	-
Total Long-Term Liabilities	12,179,040	17,222,557
Total Liabilities	28,644,814	23,463,807
NET ASSETS		
Without Donor Restriction	18,077,322	14,432,780
Total Net Assets	18,077,322	14,432,780
Total Liabilities and Net Assets	\$ 46,722,136	\$ 37,896,587

See accompanying Notes to Consolidated Financial Statements.

**EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

	2021	2020
REVENUES, WITHOUT DONOR RESTRICTION		
State Revenue:		
State Aid	\$ 20,597,694	\$ 22,536,720
Other State Revenue	6,081,087	8,417,696
Federal Revenue:		
Grants and Entitlements	6,770,867	2,265,240
Local Revenue:		
In-Lieu Property Tax Revenue	7,121,360	6,601,793
Contributions	2,882,668	5,882,338
Other Local Revenue	711,051	-
Other Revenue	214,830	729,426
Total Revenues	44,379,557	46,433,213
EXPENSES		
Program Services	36,271,380	35,407,208
Management and General	4,463,635	4,156,621
Fundraising	-	159,946
Total Expenses	40,735,015	39,723,775
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	3,644,542	6,709,438
Net Assets Without Donor Restriction - Beginning of Year	14,432,780	7,723,342
NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR	\$ 18,077,322	\$ 14,432,780

See accompanying Notes to Consolidated Financial Statements.

EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,644,542	\$ 6,709,438
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Prop 1D Liability Converted to Grant Revenue	(2,002,625)	(4,313,915)
Prop 51 Liability Converted to Grant Revenue	(17,013)	-
Depreciation Expense	71,759	86,195
Change in Operating Assets:		
Accounts Receivable - Federal and State	(3,775,089)	(1,175,570)
Accounts Receivable - Other	(16,182)	2,934
Prepaid Expenses and Other Assets	46,703	77,983
Change in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	50,509	2,968,831
Deferred Revenue	1,682,666	336,333
Net Cash Provided (Used) by Operating Activities	(314,730)	4,692,229
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	(15,189,171)	(12,306,989)
Net Cash Used by Investing Activities	(15,189,171)	(12,306,989)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) From/To Prop 1D Liability	-	15,339,539
Proceeds (Payments) From/To Prop 51 Liability	2,235,201	-
Proceeds from Notes Payable	3,232,268	5,259,080
Net Cash Provided by Financing Activities	5,467,469	20,598,619
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,036,432)	12,983,859
Cash and Cash Equivalents - Beginning of Year	13,789,707	805,848
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,753,275	\$ 13,789,707
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Investing and Financing Transactions:		
Prop 1D Liability Converted to Grant Revenue	\$ 2,002,625	\$ 4,313,915
Prop 51 Liability Converted to Grant Revenue	\$ 17,013	\$ -

See accompanying Notes to Consolidated Financial Statements.

EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2021</u>	<u>Total 2020</u>
Salaries and Wages	\$ 20,772,115	\$ 2,160,293	\$ -	\$ 22,932,408	\$ 21,834,305
Pension Expense	3,451,830	20,672	-	3,472,502	3,121,384
Other Employee Benefits	2,768,483	35,350	-	2,803,833	2,489,775
Payroll Taxes	856,245	10,646	-	866,891	799,343
Legal Expenses	-	198,545	-	198,545	230,925
Accounting Expenses	-	661	-	661	-
Other Fees for Services	3,422,139	1,249,854	-	4,671,993	6,269,544
Advertising and Promotion Expenses	-	-	-	-	30,988
Office Expenses	638,778	91,900	-	730,678	817,192
Occupancy Expenses	2,216,831	333,333	-	2,550,164	2,425,154
Travel Expenses	90,837	2,811	-	93,648	150,922
Conference and Meeting Expenses	58,504	110,880	-	169,384	105,099
Depreciation Expense	-	71,759	-	71,759	86,195
Insurance Expense	50,849	107,548	-	158,397	134,088
Instructional Materials	1,487,197	69,383	-	1,556,580	668,051
Other Expenses	457,572	-	-	457,572	560,810
	<u>\$ 36,271,380</u>	<u>\$ 4,463,635</u>	<u>\$ -</u>	<u>\$ 40,735,015</u>	
Total Functional Expenses 2021					
	<u>\$ 35,407,208</u>	<u>\$ 4,156,621</u>	<u>\$ 159,946</u>		<u>\$ 39,723,775</u>
Total Functional Expenses 2020					

See accompanying Notes to Consolidated Financial Statements.

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Education for Change (the School) is a California nonprofit public benefit corporation and is organized to manage and operate public charter schools. The School began serving students in September 2011 and is funded principally through state of California public education monies received through the California Department of Education.

The charters may be revoked by the District, the Alameda County Office of Education (ACOE), or the California State Board of Education for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Education for Change, a charter management organization, was incorporated on January 21, 2005, under the laws of the state of California as a nonprofit benefit corporation. During the year ended June 30, 2021 the School managed six (6) charter schools, Achieve Academy (Achieve), ASCEND, Cox, Lazear Charter Academy (Lazear), Learning Without Limits (LWL), and Latitude 37.8 High School (the Schools). Cox was granted its charter in 2005; Achieve in 2006; ASCEND, Lazear, and LWL in 2012; and Latitude 37.8 High School in 2018, all pursuant to the terms of the Charter Schools Act of 1992, as amended. Achieve, ASCEND, and LWL are all sponsored by the Oakland Unified School District (the District); Cox and Lazear are sponsored by the Alameda County Office of Education (ACOE). Latitude 37.8 High School is sponsored by the California State Board of Education and began serving students in August 2018. The mission of the School is to achieve an excellent, high quality, free public education for all children with its focus on traditionally underserved children in the Oakland geographical area.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Epic 1112 LLC (the LLC), of which the School is the sole member. The LLC was formed to hold title to property located in Oakland, California. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as Education for Change.

Cash and Cash Equivalents

The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Use of Estimates

The preparation of consolidated 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, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual method of accounting and accordingly, reflect all significant receivables and liabilities.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Net Asset Classes

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The School reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2021. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost if purchased or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The useful lives range varies from 5 to 30 years. Depreciation expense was \$71,759 for the year ended June 30, 2021.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the School. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons. Accrued sick leave is not paid out upon termination and therefore, not recorded on the consolidated financial statements.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as an increase in net assets with donor restriction. Restricted contributions that are received and released in the same period are reported as net assets without donor restriction. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2021, the School has conditional grants of \$20,117,517 of which \$2,018,999 is recognized as Deferred Revenue in the consolidated statement of financial position.

Income Taxes

The School is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files an exempt return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

The LLC is considered a disregarded entity and, therefore, exempt from the payment of income taxes. Additionally, the LLC is in the process of obtaining exemption from the California state LLC fee under California Revenue and Taxation Code Section 23701h.

Subsequent Events

The School has evaluated subsequent events through February 23, 2022, the date these consolidated financial statements were available to be issued.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Totals

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of the following as of June 30, 2021:

Cash and Cash Equivalents	\$ 3,753,275
Accounts Receivable - Federal and State	10,852,196
Accounts Receivable - Other	<u>21,002</u>
Financial Assets Available for General Expenditure	<u><u>\$ 14,626,473</u></u>

As part of its liquidity management plan, the School monitors liquidity required and cash flows to meet operating needs on a monthly basis. The School structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CONCENTRATION OF CREDIT RISK

The School maintains an interest-bearing cash account with a financial institution. The account at this institution is insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash in this account exceeds the maximum insured amount. The School has not experienced any losses regarding this account and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California.

The risks of participating in these multiemployer defined benefit pension plans are different from single employer plans because: (a) assets contributed to the multiemployer 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 School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2020 total STRS plan net assets are \$283 billion, the total actuarial present value of accumulated plan benefits is \$405 billion, contributions from all employers totaled \$6.1 billion, and the plan is 67.1% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826 and www.calstrs.com.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for the year ended June 30, 2021 was 16.15% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The School's contributions to STRS are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2019	\$ 2,332,231	100%
2020	\$ 2,185,198	100%
2021	\$ 2,501,802	100%

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 EMPLOYEE RETIREMENT (CONTINUED)

Public Employees' Retirement System (PERS)

Plan Description

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for PERS is not publicly available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2020, the School Employer Pool total plan assets are \$72 billion, the present value of accumulated plan benefits is \$107 billion, contributions from all employers totaled \$2.9 billion, and the plan is 70% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814 and www.calpers.ca.gov.

Funding Policy

Active plan members are required to contribute 7.0% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2021 was 20.7%. The contribution requirements of the plan members are established and may be amended by state statute.

The School's contributions to PERS for each of the last three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2019	\$ 842,824	100%
2020	\$ 936,186	100%
2021	\$ 970,700	100%

Defined Contribution Plan

The School offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. Employee contributions are used to purchase annuity contracts for each participant employee. Additionally, the employer may elect to make a discretionary contribution for each qualifying employee for each plan year. The School did not contribute to the plan for the year ended June 30, 2021.

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 OPERATING LEASES

The School leases its facilities under several lease agreements where the last lease expires in July of 2036. Lease expense under these agreements for the year ended June 30, 2021 was \$1,692,738.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 1,307,534
2023	766,208
2024	666,535
2025	683,204
2026	402,299
Thereafter	3,841,456
Total	<u><u>\$ 7,667,236</u></u>

NOTE 6 COMMITMENTS (PROP 1D LIABILITY)

The School was awarded \$17,068,510 through Proposition 1D of which \$8,534,255 will be a grant and \$8,534,255 will be long-term debt. As the School incurs construction costs, the grant portion of the award is recognized. For the year ended June 30, 2021 \$2,002,625 of the Proposition 1D liability was recognized as grant revenue. Repayment of the debt portion will commence approximately one year after occupancy of the project. Total liabilities related to Prop 1D total \$9,960,852 as of June 30, 2021.

NOTE 7 COMMITMENTS (PROP 51 LIABILITY)

The School was awarded \$22,352,014 through Proposition 51 of which \$11,176,007 will be a grant and \$11,176,007 will be long-term debt. As the School incurs construction costs, the grant portion of the award is recognized. For the year ended June 30, 2021 the amount of \$2,235,201 was received from the Charter School Finance Authority and recorded as a liability. During the year ended June 30, 2021 \$17,013 of the Proposition 51 liability was recognized as grant revenue. Repayment of the debt portion will commence approximately one year after occupancy of the project. Total liabilities related to Prop 51 total \$2,218,188 as of June 30, 2021.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 NOTES PAYABLE

PPP Loan

On May 1, 2020 the School received a loan from Bank of America in the amount of \$5,259,080 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA).

Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum and commencing in August 2021 principal and interest payments will be required through the maturity date in May 2022. As of June 30, 2021, the entire loan amount of \$5,259,080 is outstanding.

Charter School Pooled Revenue Anticipation Notes (ASAP Program Loan)

In March 2021 the School received revenue anticipation notes from the California School Finance Authority to even out temporary cash deficits caused by the state's deferred apportionment payments. Under the ASAP program the repayments are automatically repaid from future apportionment payments. As of June 30, 2021, the amount of revenue anticipation notes outstanding is \$3,232,268.

NOTE 9 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include pension expense, other employee benefits, and payroll taxes which are allocated based on estimated time and effort.

NOTE 10 CONTINGENCIES, RISKS, AND UNCERTAINTIES

The School 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 required reimbursement would not be material.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 CONTINENCIES, RISK, AND UNCERTAINTIES (CONTINUED)

In the prior fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its 2022 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 11 SUBSEQUENT EVENTS

In August 2021, the School entered into an agreement with Charter School Capital to factor attendance and grant receivables. The amount of factored receivables through December 31, 2021 and due to Charter School Capital is \$5,355,920.

In December 2021, the PPP Loan principal amount of \$5,259,080 along with accrued interest was forgiven by the financial institution and the SBA. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

SUPPLEMENTARY INFORMATION

**EDUCATION FOR CHANGE
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2021**

Education for Change (the School), a charter management organization, was incorporated on January 21, 2005, under the laws of the state of California as a nonprofit benefit corporation and is the founder of Cox Academy which was formerly named E. Morris Cox Elementary Charter School. During the year ended June 30, 2021 the School managed six (6) charter schools: Achieve Academy, ASCEND, Cox Academy, Lazear Charter Academy, Learning Without Limits, and Latitude. Each charter was granted pursuant to the terms of the Charter Schools Act of 1992, as amended.

The School's charters are as follows:

Achieve Academy

Charter granted in 2006 by Oakland Unified School District and renewed in 2011.
State charter number: 0780

ASCEND

Charter granted in 2012 by Oakland Unified School District.
State charter number: 1443

Cox Academy

Charter granted in 2005 by Oakland Unified School District and renewed in 2015 by Alameda County Office of Education.
State charter number: 0740

Lazear Charter Academy

Charter granted in 2012 by Alameda County Office of Education.
State Charter Number: 1464

Learning Without Limits

Charter granted in 2012 by Oakland Unified School District.
State Charter number: 1442

Latitude 37.8 High School

Charter granted in 2018 by California State Board of Education
State Charter number: 2015

Additionally, the following charter school had its last year of operations in fiscal year 2019-2020; however, there was minimal fiscal activity during the fiscal year ended June 30, 2021 as part of the closing process.

Epic Charter

Charter granted in 2014 by Oakland Unified School District.
State charter number: 1632

**EDUCATION FOR CHANGE
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (CONTINUED)
YEAR ENDED JUNE 30, 2021**

The Board of Directors and the Administrators as of the year ended June 30, 2021 were as follows:

BOARD OF DIRECTORS

Member	Office	Term Expires
Nick Driver	Chair	June 2022 (3 Years)
Dirk Tillotson	Vice Chair	June 2022 (3 Years)
Eva Camp	Member	June 2022 (3 Years)
Mike Barr	Member	November 2023 (3 Years)
Rosalia Leyva	Member	August 2022 (3 Years)
Lauren Weston	Member	November 2023 (3 Years)
Roy Benford	Member	June 2022 (3 Years)
Carmen Ryan	Member	October 2021 (1 Year)
Michelle Ewing	Member	October 2021 (1 Year)

ADMINISTRATORS

Larissa Adam	Superintendent
Noah Bradley	Chief Academic Officer
Sundar Chari	Chief Strategy Officer
Tavita Robles	Director of Site Operation

**EDUCATION FOR CHANGE
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2021**

	Traditional Calendar Days	Status
Achieve Academy:		
TK	177	In Compliance
Kindergarten	177	In Compliance
Grade 1	177	In Compliance
Grade 2	177	In Compliance
Grade 3	177	In Compliance
Grade 4	177	In Compliance
Grade 5	177	In Compliance
ASCEND:		
TK - Kindergarten	177	In Compliance
Grade 1	177	In Compliance
Grade 2	177	In Compliance
Grade 3	177	In Compliance
Grade 4	177	In Compliance
Grade 5	177	In Compliance
Grade 6	177	In Compliance
Grade 7	177	In Compliance
Grade 8	177	In Compliance
Cox Academy:		
TK - Kindergarten	177	In Compliance
Grade 1	177	In Compliance
Grade 2	177	In Compliance
Grade 3	177	In Compliance
Grade 4	177	In Compliance
Grade 5	177	In Compliance
Lazear Charter Academy:		
TK - Kindergarten	177	In Compliance
Grade 1	177	In Compliance
Grade 2	177	In Compliance
Grade 3	177	In Compliance
Grade 4	177	In Compliance
Grade 5	177	In Compliance
Grade 6	177	In Compliance
Grade 7	177	In Compliance
Grade 8	177	In Compliance
Learning Without Limits:		
Kindergarten	177	In Compliance
Grade 1	177	In Compliance
Grade 2	177	In Compliance
Grade 3	177	In Compliance
Grade 4	177	In Compliance
Grade 5	177	In Compliance
Latitude:		
Grade 9	177	In Compliance
Grade 10	177	In Compliance
Grade 11	177	In Compliance

**EDUCATION FOR CHANGE
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

	<u>Achieve Academy</u>	<u>ASCEND</u>	<u>Cox Academy</u>	<u>Lazear Charter Academy</u>	<u>Learning Without Limits</u>	<u>Latitude</u>
June 30, 2021 Annual Financial Report Fund Balances (Net Assets)	\$ 4,747,237	\$ 2,304,951	\$ 3,009,108	\$ 8,684,607	\$ 1,986,607	\$ 2,282,240
Adjustments and Reclassifications:						
Increase (Decrease) of Fund Balance (Net Assets):						
Cash and Cash Equivalents	(2,549,507)	(1,211,130)	(2,533,333)	(1,331,146)	(942,478)	40,447
Accounts Receivable - Federal and State	(708,539)	18,631	302,752	669,459	267,764	629,290
Intercompany Receivable	4,461,278	2,419,823	2,639,022	2,457,975	3,038,712	-
Prepaid Expenses and Other Assets	1,016	781	926	759	669	(4,421,518)
Property, Plant, and Equipment, Net	24,243	(6,282)	226,547	1,919,526	150,833	878,715
Accounts Payable and Accrued Liabilities	153,493	(1,715,799)	(1,159,078)	(2,451,607)	(2,194,095)	4,710,381
Intercompany Payable	-	-	-	-	-	(2,009,615)
Prop 1D Liability	-	-	-	(673,725)	-	-
Prop 51 Liability	(2,218,188)	-	-	-	-	-
Deferred Revenue	597,172	357,106	(415,932)	(267,495)	(269,410)	(64,731)
Notes Payable	(673,241)	(503,745)	300,328	(542,295)	(441,773)	203,453
Net Adjustments and Reclassifications	<u>(912,273)</u>	<u>(640,615)</u>	<u>(638,768)</u>	<u>(218,549)</u>	<u>(389,778)</u>	<u>(33,578)</u>
June 30, 2021 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 3,834,964</u>	<u>\$ 1,664,336</u>	<u>\$ 2,370,340</u>	<u>\$ 8,466,058</u>	<u>\$ 1,596,829</u>	<u>\$ 2,248,662</u>

See the independent auditors' report and the notes to supplementary information

**EDUCATION FOR CHANGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Achieve Academy	ASCEND	Cox Academy	Lazear Charter Academy	Learning Without Limits	Latitude	Total Federal Expenditures
U.S. Department of Education									
Pass-Through the California Department of Education									
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 286,543	\$ 190,482	\$ 279,315	\$ 200,526	\$ 230,752	\$ 39,575	\$ 1,227,193
Title II, Part A, Improving Teacher Quality	84.367	14341	25,156	20,298	24,838	19,773	17,864	5,806	113,735
Title III, Part A, Limited English Proficiency	84.365	14346	65,300	32,441	36,571	34,752	28,016	-	197,080
Title IV, Student Support & Academic Enrichment Program	84.424	14941	22,261	14,041	18,686	14,250	12,915	10,000	92,153
Title IV, Part C, Public Charter Schools Grants	84.282	15385	-	-	-	-	-	187,311	187,311
Special Education Cluster:									
IDEA Basic Local Assistance Entitlement, Part B	84.027	13379	85,970	65,337	77,638	64,015	55,815	13,623	362,398
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):									
Governor's Emergency Education Relief									
(GEER) Fund - COVID-19 Funding	84.425C	15517	21,161	24,381	21,621	21,621	15,180	9,200	113,164
Elementary and Secondary School Emergency									
Relief (ESSER) Fund - COVID-19 Funding	84.425D	15536	240,825	59,384	155,687	154,163	139,721	31,275	781,055
CARES Act Total			<u>261,986</u>	<u>83,765</u>	<u>177,308</u>	<u>175,784</u>	<u>154,901</u>	<u>40,475</u>	<u>894,219</u>
Pass-Through the California School Finance Authority									
Charter Schools Facilities Incentive Grant	84.282D	N/A	220,485	66,835	238,770	620,490	146,955	-	1,293,535
Total U.S. Department of Education			967,701	473,199	853,126	1,129,590	647,218	296,790	4,367,624
U.S. Department of Treasury									
Pass-Through the California Department of Education									
Coronavirus Relief Fund - COVID-19 Funding	21.019	25516	556,905	443,746	507,001	424,600	363,531	107,460	2,403,243
Total U.S. Department of Treasury			<u>556,905</u>	<u>443,746</u>	<u>507,001</u>	<u>424,600</u>	<u>363,531</u>	<u>107,460</u>	<u>2,403,243</u>
Total Expenditures of Federal Awards			<u>\$ 1,524,606</u>	<u>\$ 916,945</u>	<u>\$ 1,360,127</u>	<u>\$ 1,554,190</u>	<u>\$ 1,010,749</u>	<u>\$ 404,250</u>	<u>\$ 6,770,867</u>

N/A- Pass-through entity number not readily available or not applicable.

See the independent auditors' report and the notes to supplementary information

EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	Achieve Academy	ASCEND	Cox Academy	Epic Academy	Charter Academy	Without Limits	Latitude	Home Office	Epic 1112 LLC	Eliminations	Total
ASSETS											
CURRENT ASSETS											
Cash and Cash Equivalents	\$ 7,833	\$ 18,569	\$ 5,021	\$ 40,128	\$ 71,399	\$ 4,373	\$ 40,447	\$ 3,565,505	\$ -	\$ -	\$ 3,753,275
Accounts Receivable - Federal and State	2,134,619	1,823,743	1,846,474	17,084	1,907,279	1,485,602	1,297,423	339,972	-	-	10,852,196
Accounts Receivable - Other	1,000	15,000	-	(500)	-	-	32,475	(26,973)	-	-	21,002
Intercompany Receivable	4,461,278	2,419,823	2,639,022	-	2,457,975	3,038,712	-	-	-	(15,016,810)	-
Prepaid Expenses and Other Assets	1,016	781	926	-	759	669	221	24,835	-	-	29,207
Total Current Assets	<u>6,605,746</u>	<u>4,277,916</u>	<u>4,491,443</u>	<u>56,712</u>	<u>4,437,412</u>	<u>4,529,356</u>	<u>1,370,566</u>	<u>3,903,339</u>	<u>-</u>	<u>(15,016,810)</u>	<u>14,655,680</u>
PROPERTY, PLANT, AND EQUIPMENT											
Land	-	-	-	-	-	-	-	-	1,066,938	-	1,066,938
Buildings and Building Improvements	168,634	178,002	196,737	773,020	493,380	196,739	-	-	4,838,322	-	6,844,834
Equipment	2,834	-	2,226	49,943	-	-	-	-	-	-	55,003
Construction In Progress	462,241	-	233,402	643,220	17,533,963	-	5,643,028	-	-	-	24,515,854
Accumulated Depreciation	(25,855)	(24,779)	(41,871)	(190,544)	(87,218)	(45,906)	-	-	-	-	(416,173)
Total Property, Plant, and Equipment, Net	<u>607,854</u>	<u>153,223</u>	<u>390,494</u>	<u>1,275,639</u>	<u>17,940,125</u>	<u>150,833</u>	<u>5,643,028</u>	<u>-</u>	<u>5,905,260</u>	<u>-</u>	<u>32,066,456</u>
Total Assets	<u>\$ 7,213,600</u>	<u>\$ 4,431,139</u>	<u>\$ 4,881,937</u>	<u>\$ 1,332,351</u>	<u>\$ 22,377,537</u>	<u>\$ 4,680,189</u>	<u>\$ 7,013,594</u>	<u>\$ 3,903,339</u>	<u>\$ 5,905,260</u>	<u>\$ (15,016,810)</u>	<u>\$ 46,722,136</u>
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES											
Accounts Payable and Accrued Liabilities	\$ 72,956	\$ 1,863,378	\$ 1,490,650	\$ 1,117,786	\$ 3,140,837	\$ 2,372,177	\$ 2,224,387	\$ (6,326,744)	\$ -	\$ -	\$ 5,955,427
Deferred Revenue	414,251	399,680	415,932	-	267,495	269,410	64,731	187,500	-	-	2,018,999
Intercompany Payable	-	-	-	-	-	-	2,009,615	13,007,195	-	(15,016,810)	-
Notes Payable, Current Portion	673,241	503,745	605,015	-	542,295	441,773	466,199	5,259,080	-	-	8,491,348
Total Current Liabilities	<u>1,160,448</u>	<u>2,766,803</u>	<u>2,511,597</u>	<u>1,117,786</u>	<u>3,950,627</u>	<u>3,083,360</u>	<u>4,764,932</u>	<u>12,127,031</u>	<u>-</u>	<u>(15,016,810)</u>	<u>16,465,774</u>
Total Liabilities											
LONG-TERM LIABILITIES											
Prop 1D Liability	-	-	-	-	9,960,852	-	-	-	-	-	9,960,852
Prop 51 Liability	2,218,188	-	-	-	-	-	-	-	-	-	2,218,188
Total Long-Term Liabilities	<u>2,218,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,960,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,179,040</u>
Total Liabilities	<u>3,378,636</u>	<u>2,766,803</u>	<u>2,511,597</u>	<u>1,117,786</u>	<u>13,911,479</u>	<u>3,083,360</u>	<u>4,764,932</u>	<u>12,127,031</u>	<u>-</u>	<u>(15,016,810)</u>	<u>28,644,814</u>
NET ASSETS											
Without Donor Restriction	3,834,964	1,664,336	2,370,340	214,565	8,466,058	1,596,829	2,248,662	(8,223,692)	5,905,260	-	18,077,322
Total Net Assets	<u>3,834,964</u>	<u>1,664,336</u>	<u>2,370,340</u>	<u>214,565</u>	<u>8,466,058</u>	<u>1,596,829</u>	<u>2,248,662</u>	<u>(8,223,692)</u>	<u>5,905,260</u>	<u>-</u>	<u>18,077,322</u>
Total Liabilities and Net Assets	<u>\$ 7,213,600</u>	<u>\$ 4,431,139</u>	<u>\$ 4,881,937</u>	<u>\$ 1,332,351</u>	<u>\$ 22,377,537</u>	<u>\$ 4,680,189</u>	<u>\$ 7,013,594</u>	<u>\$ 3,903,339</u>	<u>\$ 5,905,260</u>	<u>\$ (15,016,810)</u>	<u>\$ 46,722,136</u>

See the independent auditors' report and the notes to supplementary information

**EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Achieve Academy	ASCEND	Cox Academy	Epic Academy	Lazear Charter Academy	Learning Without Limits	Latitude	Home Office	Epic 1112 LLC	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTION											
State Revenue:											
State Aid	\$ 4,704,795	\$ 3,566,855	\$ 4,248,267	\$ -	\$ 3,464,904	\$ 3,073,486	\$ 1,539,387	\$ -	\$ -	\$ -	\$ 20,597,694
Other State Revenue	1,100,842	715,528	728,433	4,678	2,723,137	598,974	219,292	(9,797)	-	-	6,081,087
Federal Revenue:											
Grants And Entitlements	1,524,606	916,945	1,360,127	-	1,554,190	1,010,749	404,250	-	-	-	6,770,867
Local Revenue:											
In-Lieu Property Tax Revenue	1,740,359	1,349,041	1,579,785	-	1,310,073	1,142,102	-	-	-	-	7,121,360
Contributions	21,452	14,755	916	40,000	13,719	20,059	1,633,919	1,137,848	5,905,260	(5,905,260)	2,882,668
Other Local Revenue	97,208	146,985	91,718	-	142,181	64,959	155,000	13,000	-	-	711,051
Other Revenue	-	-	3,000	28,778	-	-	-	4,409,707	-	(4,226,655)	214,830
Total Revenues Without Donor Restriction	9,189,262	6,710,109	8,012,246	73,456	9,208,204	5,910,329	3,951,848	5,550,758	5,905,260	(10,131,915)	44,379,557
EXPENSES											
Program Services	7,690,996	5,719,155	7,166,571	71,271	5,827,409	4,742,900	3,326,546	7,631,792	-	(5,905,260)	36,271,380
Management and General	1,092,499	840,350	961,375	27,397	820,316	732,766	343,425	3,872,162	-	(4,226,655)	4,463,635
Total Expenses	8,783,495	6,559,505	8,127,946	98,668	6,647,725	5,475,666	3,669,971	11,503,954	-	(10,131,915)	40,735,015
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	405,767	150,604	(115,700)	(25,212)	2,560,479	434,663	281,877	(5,953,196)	5,905,260	-	3,644,542
Net Assets without Donor Restriction - Beginning of Year	3,429,197	1,513,732	2,486,040	239,777	5,905,579	1,162,166	1,966,785	(2,270,496)	-	-	14,432,780
NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR	<u>\$ 3,834,964</u>	<u>\$ 1,664,336</u>	<u>\$ 2,370,340</u>	<u>\$ 214,565</u>	<u>\$ 8,466,058</u>	<u>\$ 1,596,829</u>	<u>\$ 2,248,662</u>	<u>\$ (8,223,692)</u>	<u>\$ 5,905,260</u>	<u>\$ -</u>	<u>\$ 18,077,322</u>

See the independent auditors' report and the notes to supplementary information

**EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	Achieve Academy	ASCEND	Cox Academy	Epic Academy	Lazear Charter Academy	Learning Without Limits	Latitude	Home Office	Epic 1112 LLC	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES											
Change in Net Assets	\$ 405,767	\$ 150,604	\$ (115,700)	\$ (25,212)	\$ 2,560,479	\$ 434,663	\$ 281,877	\$ (5,953,196)	\$ 5,905,260	\$ -	\$ 3,644,542
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided (Used) by Operating Activities:											
Prop 1D Liability Converted to Grant Revenue	-	-	-	-	(2,002,625)	-	-	-	-	-	(2,002,625)
Prop 51 Liability Converted to Grant Revenue	(17,013)	-	-	-	-	-	-	-	-	-	(17,013)
Depreciation Expense	5,800	6,282	6,855	25,767	13,939	13,116	-	-	-	-	71,759
Transfer of Assets	-	-	-	-	-	-	-	1,066,938	(1,066,938)	-	-
(Increase) Decrease in Operating Assets:											
Accounts Receivable - Federal and State	(438,313)	(562,434)	(847,841)	220,885	(695,370)	(481,362)	(630,682)	(339,972)	-	-	(3,775,089)
Accounts Receivable - Other	(549)	(15,000)	866	500	-	-	(32,475)	30,476	-	-	(16,182)
Intercompany Receivable	(4,461,278)	(2,419,823)	(2,639,022)	-	(2,457,975)	(3,037,671)	-	1,340,000	-	13,675,769	-
Prepaid Expenses and Other Assets	11,266	26,595	8,182	582	7,107	11,129	4,330	(22,488)	-	-	46,703
Increase (Decrease) in Operating Liabilities:											
Accounts Payable and Accrued Liabilities	(585,323)	1,292,991	821,368	685,091	733,589	1,736,656	1,961,135	(6,594,998)	-	-	50,509
Deferred Revenue	414,251	399,680	390,108	(56,361)	260,291	213,869	60,828	-	-	-	1,682,666
Intercompany Payable	-	-	(1,041)	(940,000)	(400,000)	-	2,009,615	13,007,195	-	(13,675,769)	-
Net Cash Provided (Used) by Operating Activities	(4,665,392)	(1,121,105)	(2,376,225)	(88,748)	(1,980,565)	(1,109,600)	3,654,628	2,533,955	4,838,322	-	(314,730)
CASH FLOWS FROM INVESTING ACTIVITIES											
Purchases of Property, Plant, and Equipment	(409,383)	-	(233,402)	-	(4,736,763)	-	(4,971,301)	-	(4,838,322)	-	(15,189,171)
Net Cash Used by Investing Activities	(409,383)	-	(233,402)	-	(4,736,763)	-	(4,971,301)	-	(4,838,322)	-	(15,189,171)
CASH FLOWS FROM FINANCING ACTIVITIES											
Proceeds (payments) from/to Prop 51 Liability	2,235,201	-	-	-	-	-	-	-	-	-	2,235,201
Proceeds from Notes Payable	673,241	503,745	605,015	-	542,295	441,773	466,199	-	-	-	3,232,268
Net Cash Provided by Financing Activities	2,908,442	503,745	605,015	-	542,295	441,773	466,199	-	-	-	5,467,469
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,166,333)	(617,360)	(2,004,612)	(88,748)	(6,175,033)	(667,827)	(850,474)	2,533,955	-	-	(10,036,432)
Cash and Cash Equivalents - Beginning of Year	2,174,166	635,929	2,009,633	128,876	6,246,432	672,200	890,921	1,031,550	-	-	13,789,707
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,833</u>	<u>\$ 18,569</u>	<u>\$ 5,021</u>	<u>\$ 40,128</u>	<u>\$ 71,399</u>	<u>\$ 4,373</u>	<u>\$ 40,447</u>	<u>\$ 3,565,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,753,275</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION											
Noncash Investing and Financing Transactions											
Prop 1D Liability Converted to Grant Revenue	\$ -	\$ -	\$ -	\$ -	\$ 2,002,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,002,625
Prop 51 Liability Converted to Grant Revenue	\$ 17,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,013

See the independent auditors' report and the notes to supplementary information

**EDUCATION FOR CHANGE
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of California Education Code.

NOTE 2 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED CONSOLIDATED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited consolidated financial statements.

NOTE 3 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal governmental for the year ended June 30, 2021. The information in this Schedule is presented on the accrual basis of accounting in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

Because the Schedule presents only a selected portion of operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

NOTE 4 INDIRECT COST RATE

The School has elected to use a rate other than the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 5 CONSOLIDATING FINANCIAL STATEMENTS

These statements report the financial position, activities, and cash flows for each of Education for Change's charter schools and its single member LLC.



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

Board of Directors
Education for Change
Oakland, 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 of America, the consolidated financial statements of Education for Change (the School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated February 23, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 consolidated 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

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

Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
February 23, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Education for Change
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Education for Change (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School'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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Glendora, California
February 23, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Education for Change
Oakland, California

We have audited Education for Change's (the School) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2021. The School's state compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for the compliance with the state laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School'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 opinion on state compliance. Our audit does not provide a legal determination of the School's compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies:	
Attendance and Distance Learning	Yes
Instructional Time	Yes
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes

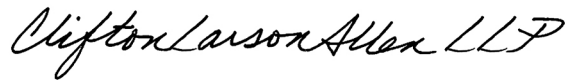
<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Independent Study Course Based	Not Applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not Applicable
Determination of funding for nonclassroom-based instruction	Not Applicable
Charter School Facility Grant Program	Yes

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2021.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
February 23, 2022

**EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors' Results

Consolidated Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to consolidated financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

21.019
84.282D
84.425C
84.425D

Name of Federal Program or Cluster

Coronavirus Relief Fund
Charter Schools Facilities Incentive Grant
Governor's Emergency Education Relief Fund
Elementary and Secondary School Emergency Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

**EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

2021-001 Internal Controls Relating to Closing Process 30000

Type of finding: Material weakness in internal controls over the closing process.

Condition: During the course of our audit, we experienced significant delays in completing and issuing the audit report due to delays in the closing process. A total of 25 adjustments were received after the trial balance was provided which were a both client provided adjustments and audit adjustments.

Criteria or specific requirement: The closing process should include review of financial information and supporting schedules to ensure proper recording of all transactions in accordance with GAAP.

Effect: The audit report was not submitted by the state deadline.

Cause: Staffing shortages and challenges due to the COVID-19 pandemic.

Repeat finding: Not a repeat finding.

Recommendation: We recommend that the School update its year-end closing procedures to include additional review to ensure all transactions are accounted for in accordance with GAAP.

**EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings (Continued)

2021-001 Internal Controls Relating to Closing Process (Continued)

30000

Views of responsible officials and Corrective Action Plan: The School will update its monthly and quarterly closing processes to ensure that all transactions have been accounted for in accordance with GAAP. A post-audit review will take place on March 1, 2022, to determine the tools necessary to ensure that the proper reconciliation tools are in place to minimize or eliminate the need for any audit adjustments after a Trial Balance is presented to the auditors. That meeting will include 2 board members with financial backgrounds, key staff, and an outside consultant with experience in implementing corrective active plans for other organizations with similar issues. The new tools will be developed and implemented before June 30, 2022. Each meeting of the Finance Committee beginning in March 2022 will include an update on the progress of the implementation of these tools. The School will assess the current financial staffing, both internal and external, to make sure that the resources to correct this issue are in place.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**EDUCATION FOR CHANGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

2020-001 Internal Control Relating to Capitalization of Costs

30000

Type of finding: Significant deficiency in internal controls over capitalizing items that should have been expensed.

Condition: During the course of our audit, a material adjustment was identified to remove items from construction in progress to expenses.

Criteria or specific requirement: Costs should be capitalized in accordance with Generally Accepted Accounting Principles (GAAP) and the School's capitalization policy.

Status: Implemented

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