

EDUCATION FOR CHANGE
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

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



CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Education for Change
Oakland, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Education for Change (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Education for Change and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2023 the School adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with response to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the School's 2022 financial statements, and expressed an unmodified opinion on those statements in our report dated March 29, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited 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 financial statements as a whole. The supplementary information (as identified in the table of contents), and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and, except for the portion marked “unaudited”, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The Local Education Agency Organization Structure, which is marked “unaudited”, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2023 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 of the 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
December 8, 2023

EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022)

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 12,642,931	\$ 1,118,304
Accounts Receivable - Federal and State	11,123,910	8,896,934
Accounts Receivable - Other	44,328	22,228
Prepaid Expenses and Other Assets	87,551	37,768
Total Current Assets	23,898,720	10,075,234
PROPERTY, PLANT, AND EQUIPMENT		
Property, Plant, and Equipment, Net		
Land	1,066,938	1,066,937
Buildings and Building Improvements	37,684,905	23,411,932
Equipment	335,513	335,513
Construction in Progress	11,562,357	17,773,357
Accumulated Depreciation	(2,064,059)	(819,440)
Total Property, Plant, and Equipment, Net	48,585,654	41,768,299
Operating Right-of Use (ROU) Asset	1,002,632	-
Total Assets	\$ 73,487,006	\$ 51,843,533
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 11,167,316	\$ 8,130,911
Deferred Revenue	7,714,025	563,078
Notes Payable, Current Portion	205,037	7,009,050
Prop 1D Liability, Current Portion	223,469	-
Operating Lease Liabilities, Current Portion	259,251	-
Total Current Liabilities	19,569,098	15,703,039
LONG-TERM LIABILITIES		
Notes Payable	15,454,857	-
Prop 1D Liability	8,092,467	8,315,205
Prop 51 Liability	-	693,486
Operating Lease Liabilities Long-term	751,200	-
Total Long-Term Liabilities	24,298,524	9,008,691
Total Liabilities	43,867,622	24,711,730
NET ASSETS		
Without Donor Restriction	29,619,384	27,131,803
Total Net Assets	29,619,384	27,131,803
Total Liabilities and Net Assets	\$ 73,487,006	\$ 51,843,533

See accompanying Notes to Consolidated Financial Statements.

**EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022)**

	2023	2022
REVENUES, WITHOUT DONOR RESTRICTION		
State Revenue:		
State Aid	\$ 24,938,742	\$ 20,778,803
Other State Revenue	12,367,262	12,995,832
Federal Revenue:		
Grants and Entitlements	8,153,153	6,700,813
Local Revenue:		
In-Lieu Property Tax Revenue	7,511,990	7,163,677
Contributions	2,508,523	4,393,386
PPP Loan Forgiveness	-	5,259,080
Measure G1	543,357	539,322
Loss on Disposal of Fixed Assets	-	(1,275,637)
Other Revenue	40,181	31,212
Total Revenues	56,063,208	56,586,488
EXPENSES		
Program Services	47,174,593	38,183,271
Management and General	6,401,034	9,348,736
Total Expenses	53,575,627	47,532,007
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	2,487,581	9,054,481
Net Assets Without Donor Restriction - Beginning of Year	27,131,803	18,077,322
NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR	\$ 29,619,384	\$ 27,131,803

See accompanying Notes to Consolidated Financial Statements.

EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	<u>Program Services</u>	<u>Management and General</u>	<u>Eliminations</u>	<u>Total 2023</u>	<u>Total 2022</u>
Salaries and Wages	\$ 21,091,979	\$ 7,381,325	\$ -	\$ 28,473,304	\$ 25,682,757
Pension Expense	5,076,126	-	-	5,076,126	4,134,818
Other Employee Benefits	2,958,253	-	-	2,958,253	2,875,005
Payroll Taxes	1,108,211	-	-	1,108,211	1,022,718
District Oversight Fees	-	261,992	-	261,992	236,944
Legal Expenses	-	185,191	-	185,191	294,647
Accounting Expenses	-	-	-	-	-
Other Fees for Services	5,347,449	187,664	-	5,535,113	4,457,186
Advertising and Promotion Expenses	111,828	-	-	111,828	22,644
Office Expenses	-	186,846	-	186,846	457,433
Information Technology Expenses	-	35,203	-	35,203	67,322
Occupancy Expenses	3,346,006	240,714	(702,400)	2,884,320	2,841,167
Travel Expenses	377,092	105,189	-	482,281	434,272
Conference and Meeting Expenses	68,769	2,196	-	70,965	80,058
Interest Expense	-	943,473	-	943,473	375,532
Depreciation Expense	-	1,244,620	-	1,244,620	593,813
Insurance Expense	-	263,963	-	263,963	169,712
Instructional Materials	1,845,590	81,276	-	1,926,866	1,268,474
Home Office Service Fees	4,870,991	-	(4,870,991)	-	-
Other Expenses	1,674,699	152,373	-	1,827,072	2,517,505
Subtotal	<u>47,876,993</u>	<u>11,272,025</u>	<u>(5,573,391)</u>	<u>53,575,627</u>	<u>47,532,007</u>
Eliminations	<u>(702,400)</u>	<u>(4,870,991)</u>	<u>5,573,391</u>	<u>-</u>	<u>-</u>
Total Functional Expenses 2023	<u>\$ 47,174,593</u>	<u>\$ 6,401,034</u>	<u>\$ -</u>	<u>\$ 53,575,627</u>	
Total Functional Expenses 2022	<u>\$ 38,183,271</u>	<u>\$ 9,348,736</u>	<u>\$ -</u>		<u>\$ 47,532,007</u>

See accompanying Notes to Consolidated Financial Statements.

EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF CASH FLOWS
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)
JUNE 30, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,487,581	\$ 9,054,481
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Prop 1D Liability Converted to Grant Revenue	-	(1,426,597)
Prop 51 Liability Converted to Grant Revenue	(693,486)	(1,524,702)
Depreciation Expense	1,244,620	593,813
Loss on Disposal of Property, Plant, and Equipment	-	1,275,637
PPP Loan Forgiveness	-	(5,259,080)
Change in Operating Assets:		
Accounts Receivable - Federal and State	(2,226,976)	1,955,262
Accounts Receivable - Other	(22,100)	(1,226)
Prepaid Expenses and Other Assets	(49,783)	(8,561)
Operating Right-of-Use Asset	(1,002,632)	-
Change in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	3,036,405	2,175,485
Deferred Revenue	7,150,947	(1,455,921)
Operating Lease Liabilities	1,010,451	-
Net Cash Provided by Operating Activities	10,935,027	5,378,591
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	(8,061,975)	(11,571,294)
Net Cash Used by Investing Activities	(8,061,975)	(11,571,294)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	(7,108,425)	(3,232,268)
Proceeds from Notes Payable	15,760,000	6,790,000
Net Cash Provided by Financing Activities	8,651,575	3,557,732
NET CHANGE IN CASH AND CASH EQUIVALENTS	11,524,627	(2,634,971)
Cash and Cash Equivalents - Beginning of Year	1,118,304	3,753,275
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,642,931	\$ 1,118,304
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 943,473	\$ -
Noncash Investing and Financing Transactions:		
Prop 1D Liability Converted to Grant Revenue	\$ -	\$ 1,426,597
Prop 51 Liability Converted to Grant Revenue	\$ 693,486	\$ 1,524,702
PPP Loan Forgiveness	\$ -	\$ 5,259,080

See accompanying Notes to Consolidated Financial Statements.

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023 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.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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. During the year ended June 30, 2023 all expenses were directly applied and not allocated.

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.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2023. 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 \$1,244,620 for the year ended June 30, 2023.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023, the School has conditional grants of \$20,292,533 of which \$7,714,025 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 December 8, 2023, the date these consolidated financial statements were available to be issued.

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, 2022, from which the summarized information was derived.

Leases

The School leases school facilities and office space. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the School uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statement of financial position.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

In evaluating contracts to determine if they qualify as a lease, the School considers factors such as if the School has obtained substantially all of the rights to the underlying asset through exclusivity, if the School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The School elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the School recognized on July 1, 2022 a ROU asset at the carrying amount of the lease asset of \$3,362,345. The School also recognized on July 1, 2022 a lease liability of \$3,362,345, which represents the present value of the remaining finance lease payments discounted using the School's incremental borrowing rate ranging from 3.75% to 4.50%.

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, 2023:

Cash and Cash Equivalents	\$ 12,642,931
Accounts Receivable - Federal and State	11,123,910
Accounts Receivable - Other	<u>44,328</u>
Financial Assets Available for General Expenditure	<u><u>\$ 23,811,169</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, 2023**

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, 2022 total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6.513 billion, and the plan is 74.4% 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, 2023 was 19.10% 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>
2021	\$ 2,501,802	100%
2022	2,714,299	100%
2023	3,175,828	100%

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022, the School Employer Pool total plan assets are \$79.3 billion, the present value of accumulated plan benefits is \$113.7 billion, contributions from all employers totaled \$3.55 billion, and the plan is 69.8% 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 8.0% of their salary for Public Employees' Pension Reform Act (PEPRA) members and 7.0% of their salary for classic members. 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, 2023 was 25.37%. 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>
2021	\$ 970,700	100%
2022	1,420,519	100%
2023	1,900,298	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, 2023.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 LEASES – ASC 842

The School leases equipment as well as certain office facilities for various terms under long-term, non-cancelable lease agreements. The School also has a lease for school facilities with the LLC. The leases expire at various dates through 2028 and provide for renewal options ranging from 12 months to 5 years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. The agreements generally require the School to pay real estate taxes, insurance, and repairs. Some lease agreements also require the School to comply with certain covenants and to maintain certain financial ratios. As of June 30, 2023, the School believes it was in compliance with all ratios and covenants.

The following table provides quantitative information concerning the School's lease for the year ended June 30, 2023:

	<u>Amount</u>
Lease Costs	
Operating Lease Costs	<u>\$ 945,784</u>
Total Lease Costs	<u><u>\$ 945,784</u></u>
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	\$ 937,966
Operating Cash Flows from Operating Leases	\$ 937,966
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 4,366,972
Weighted-Average Remaining Lease Term - Operating Leases	4.09 Years
Weighted-Average Discount Rate - Operating	4.48%

The School classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Unrelated Operating Leases</u>	<u>Related Operating Leases</u>
2024	\$ 297,676	\$ 702,400
2025	218,971	702,400
2026	217,669	702,400
2027	224,200	702,400
2028	153,005	-
Total Lease Payments	<u>1,111,521</u>	<u>2,809,600</u>
Less: Interest	<u>(101,070)</u>	<u>(233,115)</u>
Present Value of Lease Liabilities	<u><u>\$ 1,010,451</u></u>	<u><u>\$ 2,576,485</u></u>

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 FACILITY USE AGREEMENTS

The School has facility use agreements with Oakland Unified School District (OUSD) for its facilities at the following charter schools: Achieve Academy, Ascend, Cox Academy, Lazear Charter Academy, and Learning Without Limits. The agreements expire at various dates through 2035. Payment amounts vary and are negotiated annually or are based on a percentage of the charter school’s revenue and are dependent on the number of in-district and out-of-district students enrolled in the charter school. Total payments related to these agreements paid to OUSD for the year ended June 30, 2023 was \$446,908.

NOTE 7 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. During the year ended June 30, 2022 the entire amount of the award was recognized as revenue and repayments of the liability began in 2023. Total liabilities related to Prop 1D total \$8,315,936 as of June 30, 2023.

Future payments of Proposition 1D liability are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 223,469
2025	227,977
2026	232,576
2027	237,268
2028	242,054
Thereafter	<u>7,152,592</u>
Total	<u><u>\$ 8,315,936</u></u>

NOTE 8 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, 2023, \$693,486 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. The School does not have any liabilities recorded related to Prop 51 as of June 30, 2023.

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 NOTES PAYABLE

Charter School Capital Advance

In August 2021, the School entered into an agreement with Charter School Capital to factor attendance and grant receivables. During the fiscal year 2023 the school paid back the balance of the factored receivables.

Banc of California

In September 2022, the School entered into a credit agreement with Banc of California to borrow a principal amount of up to \$12,000,000, with a maturity date of September 19, 2024. The note carries an annual interest rate of the greater of the prime rate plus 0.5% per annum and the floor rate of 6%. As of June 30, 2023 the balance and amount borrowed totaled \$6,260,000 with an interest rate of 8.5%.

Banc of California

In November 2022, the LLC obtained a loan from Banc of California in the amount of \$9,500,000 that carries an interest rate of 4.75% per annum. The loan matures in November 2027 and requires monthly payments of principal and interest of \$54,540 with a balloon payment due upon maturity. As of June 30, 2023 the loan balance outstanding is \$9,399,894.

Future maturities under these notes are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 205,037
2025	6,476,370
2026	227,023
2027	238,201
2028	8,513,263
Total	<u>\$ 15,659,894</u>

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.

SUPPLEMENTARY INFORMATION

**EDUCATION FOR CHANGE
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)
UNAUDITED**

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, 2023 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

**EDUCATION FOR CHANGE
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (CONTINUED)
 YEAR ENDED JUNE 30, 2023
 (SEE INDEPENDENT AUDITORS' REPORT)
 UNAUDITED**

The Board of Directors and the Administrators as of the year ended June 30, 2023 were as follows:

BOARD OF DIRECTORS

Member	Office	Term Expires
Nick Driver	Chair	June 2025 (3 Years)
Eva Camp	Member	August 2025 (3 Years)
Damon Grant	Member	August 2024 (3 Years)
Mike Barr	Member	November 2023 (3 Years)
Lauren Weston	Member	November 2023 (3 Years)
Valia Almendarez	Member	October 2025 (3 Years)
Erika Cicernos	Member	October 2023 (1 Year)
Doreen Ardayfio	Member	October 2023 (1 Year)
Sonia Urzua	Member	February 2024 (1 Year)

ADMINISTRATORS

Larissa Adam	Superintendent of Schools
Abigail Nunez	Chief of Schools
Brandee Stewart	Chief Academic Officer
Ernest Peterson	Chief Talent and Strategy Officer
Sundar Chari	Chief Business Officer
Tavita Robles	Director of Site Operations

**EDUCATION FOR CHANGE
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2023**

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
Achieve Academy:				
TK	36,000	52,350	177	In Compliance
Kindergarten	36,000	52,350	177	In Compliance
Grade 1	50,400	52,095	177	In Compliance
Grade 2	50,400	55,005	177	In Compliance
Grade 3	50,400	54,205	177	In Compliance
Grade 4	54,000	54,205	177	In Compliance
Grade 5	54,000	54,205	177	In Compliance
ASCEND:				
TK - Kindergarten	36,000	56,645	177	In Compliance
Grade 1	50,400	51,865	177	In Compliance
Grade 2	50,400	51,865	177	In Compliance
Grade 3	50,400	51,865	177	In Compliance
Grade 4	54,000	54,520	177	In Compliance
Grade 5	54,000	54,520	177	In Compliance
Grade 6	54,000	56,680	177	In Compliance
Grade 7	54,000	56,680	177	In Compliance
Grade 8	54,000	56,680	177	In Compliance
Cox Academy:				
TK	36,000	43,365	177	In Compliance
Kindergarten	36,000	56,455	177	In Compliance
Grade 1	50,400	52,015	177	In Compliance
Grade 2	50,400	53,800	177	In Compliance
Grade 3	50,400	50,240	177	In Compliance
Grade 4	54,000	54,240	177	In Compliance
Grade 5	54,000	54,240	177	In Compliance
Lazear Charter Academy:				
TK - Kindergarten	36,000	53,370	176	In Compliance
Grade 1	50,400	50,550	176	In Compliance
Grade 2	50,400	50,900	176	In Compliance
Grade 3	50,400	54,250	176	In Compliance
Grade 4	54,000	54,250	176	In Compliance
Grade 5	54,000	55,840	176	In Compliance
Grade 6	54,000	55,840	176	In Compliance
Grade 7	54,000	55,490	176	In Compliance
Grade 8	54,000	55,490	176	In Compliance
Learning Without Limits:				
TK - Kindergarten	36,000	60,285	177	In Compliance
Grade 1	50,400	54,090	177	In Compliance
Grade 2	50,400	54,090	177	In Compliance
Grade 3	50,400	54,975	177	In Compliance
Grade 4	54,000	55,410	177	In Compliance
Grade 5	54,000	55,410	177	In Compliance
Latitude:				
Grade 9	64,800	67,590	177	In Compliance
Grade 10	64,800	67,590	177	In Compliance
Grade 11	64,800	67,590	177	In Compliance
Grade 12	64,800	67,590	177	In Compliance

**EDUCATION FOR CHANGE
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2023**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Achieve Academy:				
TK/K-3	326.58	330.39	328.66	332.15
Grades 4 and 5	186.11	187.95	186.47	188.18
Total Achieve Academy	512.69	518.34	515.13	520.33
ASCEND:				
TK/K-3	198.73	200.32	197.90	199.25
Grades 4 through 6	145.01	145.37	144.16	144.45
Grades 7 and 8	101.65	102.07	102.08	102.42
Total ASCEND Academy	445.39	447.76	444.14	446.12
Cox Academy:				
TK/K-3	282.48	287.25	284.67	289.03
Grades 4 and 5	156.94	158.78	156.72	158.32
Total Cox Academy	439.42	446.03	441.39	447.35
Lazear Charter Academy:				
TK/K-3	186.06	186.78	185.99	186.59
Grades 4 through 6	146.61	147.01	146.05	146.36
Grades 7 through 8	100.32	100.48	100.38	100.51
Total Lazear Charter Academy	432.99	434.27	432.42	433.46
Learning Without Limits:				
TK/K-3	213.52	215.45	214.25	215.72
Grades 4 through 5	121.44	122.29	121.27	122.01
Total Learning Without Limits	334.96	337.74	335.52	337.73
Latitude:				
Grade 9 through 12	254.05	256.24	256.11	258.09
Total Latitude	254.05	256.24	256.11	258.09
 Total Average Daily Attendance	 2,419.50	 2,440.38	 2,424.71	 2,443.08

**EDUCATION FOR CHANGE
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

	Achieve Academy	ASCEND	Cox Academy	Lazear Charter Academy	Learning Without Limits	Latitude
June 30, 2023 Annual Financial Report Fund Balances (Net Assets)	\$ 10,334,050	\$ 4,319,937	\$ 5,321,035	\$ 11,845,510	\$ 5,221,161	\$ 2,261,216
Adjustments and Reclassifications:						
Increase (Decrease) of Fund Balance (Net Assets):						
Cash and Cash Equivalents	(2,543,421)	(3,823,614)	(4,642,055)	(2,822,911)	(5,016,307)	(2,497,277)
Accounts Receivable - Federal and State	2,589,891	3,843,451	4,691,563	2,531,556	5,081,073	2,457,277
Operating Right-of-Use (ROU) Asset	13,080	8,369	11,011	32,805	8,302	2,580,097
Deferred Revenue	(1,357,109)	(1,243,802)	(1,224,800)	(1,174,259)	(975,043)	(353,540)
Operating Lease Liabilities	(13,080)	(8,369)	(11,011)	(32,805)	(8,302)	(2,580,097)
Net Adjustments and Reclassifications	<u>(1,310,639)</u>	<u>(1,223,965)</u>	<u>(1,175,292)</u>	<u>(1,465,614)</u>	<u>(910,277)</u>	<u>(393,540)</u>
June 30, 2023 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 9,023,411</u>	<u>\$ 3,095,972</u>	<u>\$ 4,145,743</u>	<u>\$ 10,379,896</u>	<u>\$ 4,310,884</u>	<u>\$ 1,867,676</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, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification	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		\$ 237,802	\$ 187,977	\$ 230,867	\$ 189,007	\$ 169,549	\$ 40,708	\$ 1,055,910
Title II, Part A, Improving Teacher Quality	84.367	14341		17,568	13,542	19,134	13,888	14,982	6,510	85,624
Title III, Part A, Limited English Proficiency	84.365	14346		58,070	40,973	38,001	34,762	25,791	-	197,597
Title III, Part A Immigrant Student	84.365	15146		-	2,143	-	-	7,471	-	9,614
Title IV, Student Support & Academic Enrichment Program	84.424	14941		21,145	15,433	18,644	15,518	13,698	10,000	94,438
Special Education Cluster:										
IDEA Basic Local Assistance Entitlement, Part B	84.027	13379		-	2,120	-	63,006	-	1,141	66,267
IDEA Mental Health Services, Part B	84.027A	14468		80,450	127,964	54,301	-	98,748	27,492	388,955
Total Special Education Cluster				<u>80,450</u>	<u>130,084</u>	<u>54,301</u>	<u>63,006</u>	<u>98,748</u>	<u>28,633</u>	<u>455,222</u>
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):										
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	410,357	381,849	359,392	386,775	356,413	10,657	1,905,443
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	1,040,865	467,655	832,023	190,709	472,894	9,428	3,013,574
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	COVID-19	8,856	-	9,462	-	-	-	18,318
American Rescue Plan Elementary and Secondary School Emergency Relief-Homeless Children and Youth (ARP-HCY)	84.425W	N/A	COVID-19	-	-	-	-	-	61,135	61,135
Total Coronavirus Aid, Relief, and Economic Security Act (CARES Act)				<u>1,460,078</u>	<u>849,504</u>	<u>1,200,877</u>	<u>577,484</u>	<u>829,307</u>	<u>81,220</u>	<u>4,998,470</u>
Pass-Through the California School Finance Authority										
Charter Schools Facilities Incentive Grant	84.282D	N/A		29,423	26,744	31,864	-	19,613	-	107,644
Total U.S. Department of Education				<u>1,904,536</u>	<u>1,266,400</u>	<u>1,593,688</u>	<u>893,665</u>	<u>1,179,159</u>	<u>167,071</u>	<u>7,004,519</u>
U.S. Department of Agriculture										
Pass-Through the California Department of Education										
Child Nutrition Cluster:										
School Breakfast Program	10.553	13390		34,058	23,792	34,638	23,402	18,249	8,261	142,400
National School Lunch Program	10.555	23165		222,002	155,085	225,778	152,539	118,955	53,845	928,204
Meal Supplements	10.555	13755		18,663	13,037	18,980	12,823	10,000	4,527	78,030
Total Child Nutrition Cluster				<u>274,723</u>	<u>191,914</u>	<u>279,396</u>	<u>188,764</u>	<u>147,204</u>	<u>66,633</u>	<u>1,148,634</u>
Total U.S. Department of Agriculture				<u>274,723</u>	<u>191,914</u>	<u>279,396</u>	<u>188,764</u>	<u>147,204</u>	<u>66,633</u>	<u>1,148,634</u>
Total Expenditures of Federal Awards				<u>\$ 2,179,259</u>	<u>\$ 1,458,314</u>	<u>\$ 1,873,084</u>	<u>\$ 1,082,429</u>	<u>\$ 1,326,363</u>	<u>\$ 233,704</u>	<u>\$ 8,153,153</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
YEAR ENDED JUNE 30, 2023

	Achieve Academy	ASCEND	Cox Academy	Lazear Charter Academy	Learning Without Limits	Latitude	Home Office	Epic 1112 LLC	Eliminations	Total
ASSETS										
CURRENT ASSETS										
Cash and Cash Equivalents	\$ 9,027	\$ 33,889	\$ 5,670	\$ 54,382	\$ 21,602	\$ -	\$ 12,264,519	\$ 253,842	\$ -	\$ 12,642,931
Accounts Receivable - Federal and State	2,495,331	1,926,727	2,210,938	1,876,315	1,621,053	632,950	360,596	-	-	11,123,910
Accounts Receivable - Other	60	(40)	(40)	(40)	(40)	-	44,428	-	-	44,328
Intercompany Receivable	2,589,891	3,843,451	4,691,563	2,531,556	5,081,073	2,505,009	-	-	(21,242,543)	-
Prepaid Expenses and Other Assets	13,360	12,478	12,245	11,383	9,449	6,742	21,894	-	-	87,551
Total Current Assets	<u>5,107,669</u>	<u>5,816,505</u>	<u>6,920,376</u>	<u>4,473,596</u>	<u>6,733,137</u>	<u>3,144,701</u>	<u>12,691,437</u>	<u>253,842</u>	<u>(21,242,543)</u>	<u>23,898,720</u>
PROPERTY, PLANT, AND EQUIPMENT										
Land	-	-	-	-	-	-	-	1,066,938	-	1,066,938
Buildings and Building Improvements	168,634	178,002	196,737	17,833,497	196,739	-	-	19,111,296	-	37,684,905
Equipment	57,878	31,541	44,296	26,320	6,756	168,722	-	-	-	335,513
Construction In Progress	9,159,892	-	270,685	482,084	-	-	2,091	1,647,605	-	11,562,357
Accumulated Depreciation	(51,399)	(49,144)	(69,620)	(1,229,981)	(74,697)	(2,817)	(2,445)	(583,956)	-	(2,064,059)
Total Property, Plant, and Equipment, Net	<u>9,335,005</u>	<u>160,399</u>	<u>442,098</u>	<u>17,111,920</u>	<u>128,798</u>	<u>165,905</u>	<u>(354)</u>	<u>21,241,883</u>	<u>-</u>	<u>48,585,654</u>
Operating Right-of-Use (ROU) Asset	<u>13,080</u>	<u>8,369</u>	<u>11,011</u>	<u>32,805</u>	<u>8,302</u>	<u>2,580,097</u>	<u>925,453</u>	<u>-</u>	<u>(2,576,485)</u>	<u>1,002,632</u>
Total Assets	<u>\$ 14,455,754</u>	<u>\$ 5,985,273</u>	<u>\$ 7,373,485</u>	<u>\$ 21,618,321</u>	<u>\$ 6,870,237</u>	<u>\$ 5,890,703</u>	<u>\$ 13,616,536</u>	<u>\$ 21,495,725</u>	<u>\$ (23,819,028)</u>	<u>\$ 73,487,006</u>
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts Payable and Accrued Liabilities	\$ 3,937,766	\$ 1,539,559	\$ 1,617,507	\$ 1,554,486	\$ 1,347,670	\$ 689,578	\$ 463,280	\$ 17,470	\$ -	\$ 11,167,316
Deferred Revenue	1,481,497	1,341,373	1,599,224	1,335,198	1,203,381	753,352	-	-	-	7,714,025
Intercompany Payable	-	-	-	-	-	-	21,187,543	55,000	(21,242,543)	-
Notes Payable, Current Portion	-	-	-	-	-	-	-	205,037	-	205,037
Prop 1D Liability, Current Portion	-	-	-	223,469	-	-	-	-	-	223,469
Operating Lease Liabilities, Current Portion	13,080	7,151	11,011	28,032	8,302	605,008	188,062	-	(601,395)	259,251
Total Current Liabilities	<u>5,432,343</u>	<u>2,888,083</u>	<u>3,227,742</u>	<u>3,141,185</u>	<u>2,559,353</u>	<u>2,047,938</u>	<u>21,838,885</u>	<u>277,507</u>	<u>(21,843,938)</u>	<u>19,569,098</u>
Total Liabilities										
LONG-TERM LIABILITIES										
Prop 1D Liability	-	-	-	8,092,467	-	-	-	-	-	8,092,467
Notes Payable	-	-	-	-	-	-	6,260,000	9,194,857	-	15,454,857
Operating Lease Liabilities	-	1,218	-	4,773	-	1,975,089	745,210	-	(1,975,090)	751,200
Total Long-Term Liabilities	<u>-</u>	<u>1,218</u>	<u>-</u>	<u>8,097,240</u>	<u>-</u>	<u>1,975,089</u>	<u>7,005,210</u>	<u>9,194,857</u>	<u>(1,975,090)</u>	<u>24,298,524</u>
Total Liabilities	5,432,343	2,889,301	3,227,742	11,238,425	2,559,353	4,023,027	28,844,095	9,472,364	(23,819,028)	43,867,622
NET ASSETS										
Without Donor Restriction	9,023,411	3,095,972	4,145,743	10,379,896	4,310,884	1,867,676	(15,227,559)	12,023,361	-	29,619,384
Total Net Assets	<u>9,023,411</u>	<u>3,095,972</u>	<u>4,145,743</u>	<u>10,379,896</u>	<u>4,310,884</u>	<u>1,867,676</u>	<u>(15,227,559)</u>	<u>12,023,361</u>	<u>-</u>	<u>29,619,384</u>
Total Liabilities and Net Assets	<u>\$ 14,455,754</u>	<u>\$ 5,985,273</u>	<u>\$ 7,373,485</u>	<u>\$ 21,618,321</u>	<u>\$ 6,870,237</u>	<u>\$ 5,890,703</u>	<u>\$ 13,616,536</u>	<u>\$ 21,495,725</u>	<u>\$ (23,819,028)</u>	<u>\$ 73,487,006</u>

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

**EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Achieve Academy	ASCEND	Cox Academy	Lazear Charter Academy	Learning Without Limits	Latitude	Home Office	Epic 1112 LLC	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTION										
State Revenue:										
State Aid	\$ 5,072,242	\$ 4,395,627	\$ 4,388,236	\$ 4,148,973	\$ 3,319,174	\$ 3,614,490	\$ -	\$ -	\$ -	\$ 24,938,742
Other State Revenue	4,078,367	1,646,608	2,666,271	1,748,962	1,938,070	411,882	(122,898)	-	-	12,367,262
Federal Revenue:										
Grants And Entitlements	2,179,259	1,458,314	1,873,084	1,082,429	1,326,363	233,704	-	-	-	8,153,153
Local Revenue:										
In-Lieu Property Tax Revenue	1,748,439	1,546,120	1,548,469	1,470,774	1,198,188	-	-	-	-	7,511,990
Contributions	34,708	46,104	19,103	32,234	13,495	2,038,844	324,035	-	-	2,508,523
Measure G1	84,525	169,061	73,295	160,936	55,540	-	-	-	-	543,357
Home Office Service Fees	-	-	-	-	-	-	4,870,991	-	(4,870,991)	-
Other Revenue	-	-	-	-	13,189	-	26,992	702,400	(702,400)	40,181
Total Revenues Without Donor Restriction	13,197,540	9,261,834	10,568,458	8,644,308	7,864,019	6,298,920	5,099,120	702,400	(5,573,391)	56,063,208
EXPENSES										
Program Services	9,610,810	7,959,559	9,013,203	7,172,860	5,753,443	6,423,524	1,943,594	-	(702,400)	47,174,593
Management and General	1,111,584	1,174,918	840,153	1,721,870	775,859	667,559	3,975,205	1,004,877	(4,870,991)	6,401,034
Total Expenses	10,722,394	9,134,477	9,853,356	8,894,730	6,529,302	7,091,083	5,918,799	1,004,877	(5,573,391)	53,575,627
Transfers	40,000	-	-	-	-	(40,000)	(6,420,578)	6,420,578	-	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	2,515,146	127,357	715,102	(250,422)	1,334,717	(832,163)	(7,240,257)	6,118,101	-	2,487,581
Net Assets without Donor Restriction - Beginning of Year	6,508,265	2,968,615	3,430,641	10,630,318	2,976,167	2,699,839	(7,987,302)	5,905,260	-	27,131,803
NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR	<u>\$ 9,023,411</u>	<u>\$ 3,095,972</u>	<u>\$ 4,145,743</u>	<u>\$ 10,379,896</u>	<u>\$ 4,310,884</u>	<u>\$ 1,867,676</u>	<u>\$ (15,227,559)</u>	<u>\$ 12,023,361</u>	<u>\$ -</u>	<u>\$ 29,619,384</u>

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

**EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

	Achieve Academy	ASCEND	Cox Academy	Lazezar Charter Academy	Learning Without Limits	Latitude	Home Office	Epic 1112 LLC	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES										
Change in Net Assets	\$ 2,515,146	\$ 127,357	\$ 715,102	\$ (250,422)	\$ 1,334,717	\$ (832,163)	\$ (7,240,257)	\$ 6,118,101	\$ -	\$ 2,487,581
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided (Used) by Operating Activities:										
Prop 51 Liability Converted to Grant Revenue	(693,486)	-	-	-	-	-	-	-	-	(693,486)
Depreciation Expense	16,809	12,590	15,269	597,206	14,725	1,620	2,445	583,956	-	1,244,620
Transfer of Assets	-	-	-	-	-	14,453,268	-	(14,453,268)	-	-
(Increase) Decrease in Operating Assets:										
Accounts Receivable - Federal and State	(612,585)	(509,140)	(514,180)	(367,815)	(512,080)	(25,052)	313,876	-	-	(2,226,976)
Accounts Receivable - Other	2,640	12,459	40	40	1,840	-	(39,119)	-	-	(22,100)
Intercompany Receivable	2,710,369	(359,746)	(1,100,362)	29,765	(1,592,837)	(2,505,009)	-	-	2,817,820	-
Prepaid Expenses and Other Assets	(13,360)	(12,478)	(12,245)	(11,383)	(9,449)	(6,742)	15,874	-	-	(49,783)
Operating Right-of-Use Asset	(13,080)	(8,369)	(11,011)	(32,805)	(8,302)	(2,580,097)	(925,453)	-	2,576,485	(1,002,632)
Increase (Decrease) in Operating Liabilities:										
Accounts Payable and Accrued Liabilities	1,987,826	811,797	823,120	749,799	692,874	(2,074,823)	28,342	17,470	-	3,036,405
Deferred Revenue	1,428,468	1,302,883	1,432,662	1,230,953	1,039,797	716,184	-	-	-	7,150,947
Intercompany Payable	-	-	-	-	-	(9,147,641)	11,910,461	55,000	(2,817,820)	-
Operating Lease Liabilities	13,080	8,369	11,011	32,805	8,302	2,580,097	933,272	-	(2,576,485)	1,010,451
Net Cash Provided (Used) by Operating Activities	7,341,827	1,385,722	1,359,406	1,978,143	969,587	579,642	4,999,441	(7,678,741)	-	10,935,027
CASH FLOWS FROM INVESTING ACTIVITIES										
Purchases of Property, Plant, and Equipment	(6,110,488)	-	-	(482,085)	-	-	(2,091)	(1,467,311)	-	(8,061,975)
Net Cash Used by Investing Activities	(6,110,488)	-	-	(482,085)	-	-	(2,091)	(1,467,311)	-	(8,061,975)
CASH FLOWS FROM FINANCING ACTIVITIES										
Repayment of Notes Payable	(1,231,339)	(1,369,705)	(1,358,820)	(1,501,891)	(966,922)	(579,642)	-	(100,106)	-	(7,108,425)
Proceeds from Notes Payable	-	-	-	-	-	-	6,260,000	9,500,000	-	15,760,000
Net Cash Provided by Financing Activities	(1,231,339)	(1,369,705)	(1,358,820)	(1,501,891)	(966,922)	(579,642)	6,260,000	9,399,894	-	8,651,575
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	16,017	586	(5,833)	2,665	-	11,257,350	253,842	-	11,524,627
Cash and Cash Equivalents - Beginning of Year	9,027	17,872	5,084	60,215	18,937	-	1,007,169	-	-	1,118,304
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,027</u>	<u>\$ 33,889</u>	<u>\$ 5,670</u>	<u>\$ 54,382</u>	<u>\$ 21,602</u>	<u>\$ -</u>	<u>\$ 12,264,519</u>	<u>\$ 253,842</u>	<u>\$ -</u>	<u>\$ 12,642,931</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION										
Cash Paid for Interest	\$ 45,841	\$ 42,102	\$ 32,558	\$ 204,073	\$ 27,724	\$ 31,423	\$ 332,618	\$ 227,134	\$ -	\$ 943,473
Noncash Investing and Financing Transactions:										
Prop 1D Liability Converted to Grant Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prop 51 Liability Converted to Grant Revenue	\$ 693,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 693,486

See the Independent Auditors' Report and the Notes to Supplementary Information

**EDUCATION FOR CHANGE
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

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 SCHEDULE OF AVERAGE DAILY ATTENDANCE

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

NOTE 3 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 4 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 government for the year ended June 30, 2023. The information in this Schedule is presented 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). 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 5 INDIRECT COST RATE

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 6 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, the financial statements of Education for Change (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2023.

Report on 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 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

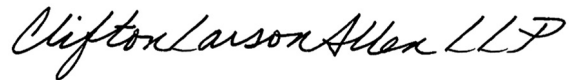
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 non-compliance 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 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 School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
December 8, 2023



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

Opinion on Each Major Federal Program

We have audited Education for Change (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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



CliftonLarsonAllen LLP

Glendora, California
December 8, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER STATE COMPLIANCE

Board of Directors
Education for Change
Los Angeles, California

Report on Compliance

Opinion on State Compliance

We have audited Education for Change's (the School) compliance with the types of compliance requirements applicable to the School described in the *2022-2023 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, 2023. The School's applicable State compliance requirements are identified in the table below.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that are applicable to the School for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

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>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable ¹
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable ³
Immunizations	Not Applicable ⁴
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable ⁵
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable ⁸
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable ¹⁰

Not Applicable¹: The School did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable³: The School did not report ADA pursuant to Education Code section 51749.5.

Not Applicable⁴: The School did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable⁵: The School did not receive a CTEIG allocation for the audit year.

Not Applicable⁸: The School did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

Not Applicable¹⁰: The School did not receive Charter School Facility Grant Program funding for the year audited.

Other Matters

The results of our audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each state program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001, to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Schools' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. the Schools' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Directors
Education for Change

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
December 8, 2023

**EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

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? _____ yes x 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)	Name of Federal Program or Cluster
84.010	Title I
84.425D	Elementary and Secondary School Emergency Fund
84.425U	Elementary and Secondary School Emergency Relief III (ESSER III) Fund
84.425W	ARP-HCY

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

\$ 750,000

- Auditee qualified as low-risk auditee? _____ yes x no

**EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

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

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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

2023-001 After School Education and Safety 40000

Cox Academy #0740

Criteria: Per Education code section 8483 (a)(1)(B) every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program. Additionally, per the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* this includes maintaining records to support a pupils early release from the program is in line with its established policy. Education code section 8484 states accurate attendance data is required to be reported on a semi-annual and annual basis.

Condition: During our testing of attendance we found that sign-in/out sheets were missing for students at Cox Academy. Of the students sampled 2 of the 3 students did not have sign-in/out sheets for 4 of the 25 days sampled from 9/5/22 - 9/16/22 and in turn could not verify the attendance reported was accurate and if any student attended less than the full day we could not verify the reason for early release was consistent with the established early release policy.

**EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section IV – Findings and Questioned Costs – State Compliance (Continued)

2023-001 After School Education and Safety (Continued)

40000

Cox Academy #0740

Criteria: Per Education code section 8483 (a)(1)(B) every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program. Additionally, per the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* this includes maintaining records to support a pupils early release from the program is in line with its established policy. Education code section 8484 states accurate attendance data is required to be reported on a semi-annual and annual basis.

Condition: During our testing of attendance we found that sign-in/out sheets were missing for students at Cox Academy. Of the students sampled 2 of the 3 students did not have sign-in/out sheets for 4 of the 25 days sampled from 9/5/22 - 9/16/22 and in turn could not verify the attendance reported was accurate and if any student attended less than the full day we could not verify the reason for early release was consistent with the established early release policy.

Effect: The School is not in compliance with Education code sections 8484 and likely over-reported attendance by 4 days.

Cause: There was a change in the vendor used to operate the ASES program at Cox Academy and the school was unable to obtain the documents from the previous vendor.

Questioned Costs: None, this is not a condition of funded amounts.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the school revise its attendance submitted to the CDE to remove the days reported where there are no sign-in/out sheets substantiating the attendance.

Corrective Action Plan: Education for Change will proactively collect and maintain backup documentation from after-school vendors during the school year. Program staff have begun to implement this during the 2023-24 school year.

**EDUCATION FOR CHANGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

2022-001 Nonclassroom-Based Instruction/ Independent Study

40000

ASCEND #1443

Criteria: Per Education Code section 51747(c), every written independent study agreement must contain signatures, no later than 30 days after the first day of independent study instruction or October 15, whichever comes later by the pupil, the pupil's parent, legal guardian or caregiver, the certificated employee who was designated as having responsibility for the general supervision of the pupil's independent study, and all other persons, if any, who had direct responsibility for providing assistance to the pupil.

Condition: During nonclassroom-based/independent study pupil testing we found that 1 pupil in seventh grade did not have an independent study agreement on file, 1 pupil in kindergarten had an independent study agreement with the last required signature dated past the 30 days from the start of instruction or October 15 (whichever is later). In addition, a total of 15 pupils in various grades from kindergarten to eight grade did not have the required signature of the certificated employee having responsibility for the general supervision of the pupil's independent study.

Status: Implemented



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