

EDUCATION FOR CHANGE
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

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, 2022, 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, 2022, 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2021 financial statements, and expressed an unmodified opinion on those statements in our report dated February 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 March 29, 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
March 29, 2023

EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2021)

ASSETS	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,118,304	\$ 3,753,275
Accounts Receivable - Federal and State	8,896,934	10,852,196
Accounts Receivable - Other	22,228	21,002
Prepaid Expenses and Other Assets	37,768	29,207
Total Current Assets	10,075,234	14,655,680
PROPERTY, PLANT, AND EQUIPMENT		
Property, Plant, and Equipment, Net		
Land	1,066,937	1,066,938
Buildings and Building Improvements	23,411,932	6,844,834
Equipment	335,513	55,003
Construction in Progress	17,773,357	24,515,854
Accumulated Depreciation	(819,440)	(416,173)
Total Property, Plant, and Equipment, Net	41,768,299	32,066,456
Total Assets	\$ 51,843,533	\$ 46,722,136
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 8,130,911	\$ 5,955,427
Deferred Revenue	563,078	2,018,999
Notes Payable, Current Portion	7,009,050	8,491,348
Total Current Liabilities	15,703,039	16,465,774
LONG-TERM LIABILITIES		
Prop 1D Liability	8,315,205	9,960,852
Prop 51 Liability	693,486	2,218,188
Total Long-Term Liabilities	9,008,691	12,179,040
Total Liabilities	24,711,730	28,644,814
NET ASSETS		
Without Donor Restriction	27,131,803	18,077,322
Total Net Assets	27,131,803	18,077,322
Total Liabilities and Net Assets	\$ 51,843,533	\$ 46,722,136

See accompanying Notes to Consolidated Financial Statements.

**EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2021)**

	2022	2021
REVENUES, WITHOUT DONOR RESTRICTION		
State Revenue:		
State Aid	\$ 20,778,803	\$ 20,597,694
Other State Revenue	12,995,832	6,081,087
Federal Revenue:		
Grants and Entitlements	6,700,813	6,770,867
Local Revenue:		
In-Lieu Property Tax Revenue	7,163,677	7,121,360
Contributions	4,393,386	2,882,668
Other Local Revenue	-	711,051
PPP Loan Forgiveness	5,259,080	-
Measure G1	539,322	-
Loss on Disposal of Fixed Assets	(1,275,637)	-
Other Revenue	31,212	214,830
Total Revenues	56,586,488	44,379,557
 EXPENSES		
Program Services	38,183,271	36,271,380
Management and General	9,348,736	4,463,635
Total Expenses	47,532,007	40,735,015
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	9,054,481	3,644,542
 Net Assets Without Donor Restriction - Beginning of Year	18,077,322	14,432,780
 NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR	\$ 27,131,803	\$ 18,077,322

See accompanying Notes to Consolidated Financial Statements.

EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Program Services	Management and General	Eliminations	Total 2022	Total 2021
Salaries and Wages	\$ 18,817,034	\$ 6,865,723	\$ -	\$ 25,682,757	\$ 22,932,408
Pension Expense	4,134,818	-	-	4,134,818	3,472,502
Other Employee Benefits	2,875,005	-	-	2,875,005	2,803,833
Payroll Taxes	1,022,718	-	-	1,022,718	866,891
District Oversight Fees	-	236,944	-	236,944	-
Legal Expenses	-	294,647	-	294,647	198,545
Accounting Expenses	-	-	-	-	661
Other Fees for Services	4,457,186	-	-	4,457,186	4,671,993
Advertising and Promotion Expenses	22,644	-	-	22,644	-
Office Expenses	420,627	36,806	-	457,433	730,678
Information Technology Expenses	67,322	-	-	67,322	-
Occupancy Expenses	2,502,054	339,113	-	2,841,167	2,550,164
Travel Expenses	411,204	23,068	-	434,272	93,648
Conference and Meeting Expenses	80,058	-	-	80,058	169,384
Interest Expense	-	375,532	-	375,532	-
Depreciation Expense	-	593,813	-	593,813	71,759
Insurance Expense	-	169,712	-	169,712	158,397
Instructional Materials	1,268,474	-	-	1,268,474	1,556,580
Home Office Service Fees	-	3,744,527	(3,744,527)	-	-
Other Expenses	2,104,127	413,378	-	2,517,505	457,572
Subtotal	<u>38,183,271</u>	<u>13,093,263</u>	<u>(3,744,527)</u>	<u>47,532,007</u>	<u>40,735,015</u>
Eliminations	<u>-</u>	<u>(3,744,527)</u>	<u>3,744,527</u>	<u>-</u>	
 Total Functional Expenses 2022	 <u>\$ 38,183,271</u>	 <u>\$ 9,348,736</u>	 <u>\$ -</u>	 <u>\$ 47,532,007</u>	
 Total Functional Expenses 2021	 <u>\$ 36,271,380</u>	 <u>\$ 4,463,635</u>	 <u>\$ -</u>		 <u>\$ 40,735,015</u>

See accompanying Notes to Consolidated Financial Statements.

**EDUCATION FOR CHANGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2021)**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 9,054,481	\$ 3,644,542
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Prop 1D Liability Converted to Grant Revenue	(1,426,597)	(2,002,625)
Prop 51 Liability Converted to Grant Revenue	(1,524,702)	(17,013)
Depreciation Expense	593,813	71,759
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	1,955,262	(3,775,089)
Accounts Receivable - Other	(1,226)	(16,182)
Prepaid Expenses and Other Assets	(8,561)	46,703
Change in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	2,175,485	50,509
Deferred Revenue	(1,455,921)	1,682,666
Net Cash Provided (Used) by Operating Activities	<u>5,378,591</u>	<u>(314,730)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	<u>(11,571,294)</u>	<u>(15,189,171)</u>
Net Cash Used by Investing Activities	<u>(11,571,294)</u>	<u>(15,189,171)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	(3,232,268)	-
Proceeds (Payments) From/To Prop 51 Liability	-	2,235,201
Proceeds from Notes Payable	<u>6,790,000</u>	<u>3,232,268</u>
Net Cash Provided by Financing Activities	<u>3,557,732</u>	<u>5,467,469</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,634,971)	(10,036,432)
Cash and Cash Equivalents - Beginning of Year	<u>3,753,275</u>	<u>13,789,707</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,118,304</u>	<u>\$ 3,753,275</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Investing and Financing Transactions:		
Prop 1D Liability Converted to Grant Revenue	<u>\$ 1,426,597</u>	<u>\$ 2,002,625</u>
Prop 51 Liability Converted to Grant Revenue	<u>\$ 1,524,702</u>	<u>\$ 17,013</u>
PPP Loan Forgiveness	<u>\$ 5,259,080</u>	<u>\$ -</u>

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022 the School managed six (6) charter schools, Achieve Academy (Achieve), ASCEND, Cox, Lazear Charter Academy (Lazear), Learning Without Limits (LWL), and Latitude 37.8 High School (the Schools). Cox was granted its charter in 2005; Achieve in 2006; ASCEND, Lazear, and LWL in 2012; and Latitude 37.8 High School in 2018, all pursuant to the terms of the Charter Schools Act of 1992, as amended. Achieve, ASCEND, and LWL are all sponsored by the Oakland Unified School District (the District); Cox and Lazear are sponsored by the Alameda County Office of Education (ACOE). Latitude 37.8 High School is sponsored by the California State Board of Education and began serving students in August 2018. The mission of the School is to achieve an excellent, high quality, free public education for all children with its focus on traditionally underserved children in the Oakland geographical area.

Principles of Consolidation

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

Cash and Cash Equivalents

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

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting

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

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. During the year ended June 30, 2022 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, 2022. 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 \$593,813 for the year ended June 30, 2022.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022

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, 2022, the School has conditional grants of \$13,501,127 of which \$563,078 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 March 29, 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, 2021, from which the summarized information was derived.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022:

Cash and Cash Equivalents	\$ 1,118,304
Accounts Receivable - Federal and State	8,896,934
Accounts Receivable - Other	<u>22,228</u>
Financial Assets Available for General Expenditure	<u><u>\$ 10,037,466</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.

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.

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Plan Description (Continued)

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, 2021 total STRS plan net assets are \$310 billion, the total actuarial present value of accumulated plan benefits is \$414 billion, contributions from all employers totaled \$5.744 billion, and the plan is 73% 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, 2022 was 16.92% 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>
2020	\$ 2,185,198	100%
2021	2,501,802	100%
2022	2,714,299	100%

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, 2021, the School Employer Pool total plan assets are \$86.5 billion, the present value of accumulated plan benefits is \$106.8 billion, contributions from all employers totaled \$2.97 billion, and the plan is 81% funded. The School did not contribute more than 5% of the total contributions to the plan.

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 EMPLOYEE RETIREMENT (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Plan Description (Continued)

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2022 was 22.91%. 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>
2020	\$ 936,186	100%
2021	970,700	100%
2022	1,420,519	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, 2022.

NOTE 5 OPERATING LEASES

The School leases its facilities under several lease agreements where the last lease expires in July of 2036. Lease expense under these agreements for the year ended June 30, 2022 was \$1,506,387.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 1,130,214
2024	1,017,630
2025	568,464
2026	246,395
2027	246,395
Thereafter	1,971,160
Total	<u>\$ 5,180,258</u>

**EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 OPERATING LEASES (CONTINUED)

The facility where Lazear Charter Academy operates had an amendment to its facilities use agreement with Oakland Unified School District effective March 23, 2022 which changed the payment terms to be a percentage of the charter school's revenue starting with the fiscal year 2021-22. The percentage varies from 0.50% to 2.45% and is dependent on the number of in-district and out-of-district students enrolled in the charter school. As the amount cannot be reasonably estimated, only the portion for the next fiscal year was included in the future minimum lease payments above.

NOTE 6 COMMITMENTS (PROP 1D LIABILITY)

The School was awarded \$17,068,510 through Proposition 1D of which \$8,534,255 will be a grant and \$8,534,255 will be long-term debt. As the School incurs construction costs, the grant portion of the award is recognized. For the year ended June 30, 2022 \$1,426,597 of the Proposition 1D liability was recognized as grant revenue as the project was completed. Total liabilities related to Prop 1D total \$8,534,255 as of June 30, 2022, of this amount \$219,050 is presented in the notes payable, current portion of the statement of financial position.

Future payments of Proposition 1D liability are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2023	\$ 219,050
2024	223,469
2025	227,977
2026	232,576
2027	237,268
Thereafter	7,393,915
Total	<u>\$ 8,534,255</u>

NOTE 7 COMMITMENTS (PROP 51 LIABILITY)

The School was awarded \$22,352,014 through Proposition 51 of which \$11,176,007 will be a grant and \$11,176,007 will be long-term debt. As the School incurs construction costs, the grant portion of the award is recognized. For the year ended June 30, 2022, \$1,524,702 of the Proposition 51 liability was recognized as grant revenue. Repayment of the debt portion will commence approximately one year after occupancy of the project. Total liabilities related to Prop 51 total \$693,486 as of June 30, 2022.

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 NOTES PAYABLE

PPP Loan

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

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

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

Charter School Capital Advance

In August 2021, the School entered into an agreement with Charter School Capital to factor attendance and grant receivables. The amount of factored receivables balance as of June 30, 2022 due to Charter School Capital is \$6,790,000.

NOTE 9 CONTINGENCIES, RISKS, AND UNCERTAINTIES

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

EDUCATION FOR CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 SUBSEQUENT EVENT

In September 2022 Education for Change 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 February 28, 2023, the balance borrowed totaled \$6,260,000 with interest at a rate of 8.5%.

SUPPLEMENTARY INFORMATION

**EDUCATION FOR CHANGE
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2022
(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, 2022 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, 2022
 (SEE INDEPENDENT AUDITORS' REPORT)
 UNAUDITED**

The Board of Directors and the Administrators as of the year ended June 30, 2022 were as follows:

BOARD OF DIRECTORS

Member	Office	Term Expires
Nick Driver	Chair	June 2022 (3 Years)
Eva Camp	Member	June 2022 (3 Years)
Damon Grant	Member	August 2024 (3 Years)
Mike Barr	Member	November 2023 (3 Years)
Leroy Gaines	Member	August 2024 (3 Years)
Rosalia Leyva	Member	August 2022 (3 Years)
Lauren Weston	Member	November 2023 (3 Years)
Carmen Ryan	Member	December 2022 (1 Year)
Valia Almendarez	Member	December 2022 (1 Year)

ADMINISTRATORS

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

**EDUCATION FOR CHANGE
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2022**

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
Achieve Academy:				
TK	36,000	59,320	176	In Compliance
Kindergarten	36,000	59,320	176	In Compliance
Grade 1	50,400	53,450	176	In Compliance
Grade 2	50,400	53,450	176	In Compliance
Grade 3	50,400	53,450	176	In Compliance
Grade 4	54,000	57,860	176	In Compliance
Grade 5	54,000	57,860	176	In Compliance
ASCEND:				
TK - Kindergarten	36,000	56,875	175	In Compliance
Grade 1	50,400	51,975	175	In Compliance
Grade 2	50,400	51,975	175	In Compliance
Grade 3	50,400	51,975	175	In Compliance
Grade 4	54,000	54,740	175	In Compliance
Grade 5	54,000	54,740	175	In Compliance
Grade 6	54,000	56,420	175	In Compliance
Grade 7	54,000	56,420	175	In Compliance
Grade 8	54,000	56,420	175	In Compliance
Cox Academy:				
TK - Kindergarten	36,000	43,365	177	In Compliance
Grade 1	50,400	51,920	177	In Compliance
Grade 2	50,400	54,130	177	In Compliance
Grade 3	50,400	54,130	177	In Compliance
Grade 4	54,000	54,130	177	In Compliance
Grade 5	54,000	54,130	177	In Compliance
Lazear Charter Academy:				
TK - Kindergarten	36,000	54,705	177	In Compliance
Grade 1	50,400	52,050	177	In Compliance
Grade 2	50,400	52,050	177	In Compliance
Grade 3	50,400	54,705	177	In Compliance
Grade 4	54,000	54,705	177	In Compliance
Grade 5	54,000	56,325	177	In Compliance
Grade 6	54,000	56,325	177	In Compliance
Grade 7	54,000	56,325	177	In Compliance
Grade 8	54,000	56,325	177	In Compliance
Learning Without Limits:				
Kindergarten	36,000	53,800	176	In Compliance
Grade 1	50,400	53,820	176	In Compliance
Grade 2	50,400	53,820	176	In Compliance
Grade 3	50,400	53,820	176	In Compliance
Grade 4	54,000	55,580	176	In Compliance
Grade 5	54,000	55,580	176	In Compliance
Latitude:				
Grade 9	64,800	67,380	176	In Compliance
Grade 10	64,800	67,380	176	In Compliance
Grade 11	64,800	67,380	176	In Compliance
Grade 12	64,800	67,380	176	In Compliance

**EDUCATION FOR CHANGE
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2022**

	Second Period Report		Audit Adjustments		Second Period Report (Audited)	
	Classroom	Total	Classroom	Total	Classroom	Total
	Based		Based		Based	
Achieve Academy:						
TK/K-3	326.14	327.66	-	-	326.14	327.66
Grades 4 and 5	168.41	169.45	-	-	168.41	169.45
Total Achieve Academy	<u>494.55</u>	<u>497.11</u>	<u>-</u>	<u>-</u>	<u>494.55</u>	<u>497.11</u>
ASCEND:						
TK/K-3	193.70	204.16	-	(0.30)	193.70	203.86
Grades 4 through 6	138.17	147.02	-	(0.61)	138.17	146.41
Grades 7 and 8	100.33	105.22	-	(0.17)	100.33	105.05
Total ASCEND Academy	<u>432.20</u>	<u>456.40</u>	<u>-</u>	<u>(1.08)</u>	<u>432.20</u>	<u>455.32</u>
Cox Academy:						
TK/K-3	286.22	300.16	-	-	286.22	300.16
Grades 4 and 5	153.94	159.93	-	-	153.94	159.93
Total Cox Academy	<u>440.16</u>	<u>460.09</u>	<u>-</u>	<u>-</u>	<u>440.16</u>	<u>460.09</u>
Lazear Charter Academy:						
TK/K-3	182.86	187.26	-	-	182.86	187.26
Grades 4 through 6	140.64	143.05	-	-	140.64	143.05
Grades 7 through 8	100.91	102.32	-	-	100.91	102.32
Total Lazear Charter Academy	<u>424.41</u>	<u>432.63</u>	<u>-</u>	<u>-</u>	<u>424.41</u>	<u>432.63</u>
Learning Without Limits:						
TK/K-3	205.68	210.24	-	-	205.68	210.24
Grades 4 through 5	117.20	118.48	-	-	117.20	118.48
Total Learning Without Limits	<u>322.88</u>	<u>328.72</u>	<u>-</u>	<u>-</u>	<u>322.88</u>	<u>328.72</u>
Latitude:						
Grade 9 through 12	187.96	209.62	-	-	187.96	209.62
Total Latitude	<u>187.96</u>	<u>209.62</u>	<u>-</u>	<u>-</u>	<u>187.96</u>	<u>209.62</u>
Total Average Daily Attendance	<u><u>2,302.16</u></u>	<u><u>2,384.57</u></u>	<u><u>-</u></u>	<u><u>(1.08)</u></u>	<u><u>2,302.16</u></u>	<u><u>2,383.49</u></u>

**EDUCATION FOR CHANGE
SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONTINUED)
YEAR ENDED JUNE 30, 2022**

	Annual Report		Audit Adjustments		Annual Report (Audited)	
	Classroom Based	Total	Classroom Based	Total	Classroom Based	Total
Achieve Academy:						
TK/K-3	327.88	329.25	-	-	327.88	329.25
Grades 4 and 5	<u>170.20</u>	<u>171.05</u>	-	-	<u>170.20</u>	<u>171.05</u>
Total Achieve Academy	498.08	500.30	-	-	498.08	500.30
ASCEND:						
TK/K-3	194.95	204.34	-	(0.26)	194.95	204.08
Grades 4 through 6	139.91	147.29	-	(0.48)	139.91	146.81
Grades 7 and 8	<u>100.51</u>	<u>104.65</u>	-	<u>(0.18)</u>	<u>100.51</u>	<u>104.47</u>
Total ASCEND Academy	435.37	456.28	-	(0.92)	435.37	455.36
Cox Academy:						
TK/K-3	288.42	300.39	-	-	288.42	300.39
Grades 4 and 5	<u>154.93</u>	<u>159.88</u>	-	-	<u>154.93</u>	<u>159.88</u>
Total Cox Academy	443.35	460.27	-	-	443.35	460.27
Lazear Charter Academy:						
TK/K-3	183.12	186.84	-	-	183.12	186.84
Grades 4 through 6	141.02	143.18	-	-	141.02	143.18
Grades 7 through 8	<u>101.30</u>	<u>102.64</u>	-	-	<u>101.30</u>	<u>102.64</u>
Total Lazear Charter Academy	425.44	432.66	-	-	425.44	432.66
Learning Without Limits:						
TK/K-3	206.32	210.34	-	-	206.32	210.34
Grades 4 through 5	<u>118.14</u>	<u>119.30</u>	-	-	<u>118.14</u>	<u>119.30</u>
Total Learning Without Limits	324.46	329.64	-	-	324.46	329.64
Latitude:						
Grade 9 through 12	<u>192.38</u>	<u>209.58</u>	-	-	<u>192.38</u>	<u>209.58</u>
Total Latitude	<u>192.38</u>	<u>209.58</u>	-	-	<u>192.38</u>	<u>209.58</u>
 Total Average Daily Attendance	 <u>2,319.08</u>	 <u>2,388.73</u>	 -	 <u>(0.92)</u>	 <u>2,319.08</u>	 <u>2,387.81</u>

**EDUCATION FOR CHANGE
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

	<u>Achieve Academy</u>	<u>ASCEND</u>	<u>Cox Academy</u>	<u>Lazear Charter Academy</u>	<u>Learning Without Limits</u>	<u>Latitude</u>
June 30, 2022 Annual Financial Report Fund Balances (Net Assets)	\$ 6,763,295	\$ 2,755,837	\$ 3,186,143	\$ 10,523,215	\$ 2,982,832	\$ 2,643,426
Adjustments and Reclassifications:						
Increase (Decrease) of Fund Balance (Net Assets):						
Cash and Cash Equivalents	(5,300,258)	(3,483,708)	(3,664,597)	(2,579,606)	(3,540,755)	-
Accounts Receivable - Federal and State	5,738,715	3,658,579	3,946,635	2,720,447	3,625,625	75,252
Property, Plant, and Equipment, Net	-	-	-	25,364	-	-
Accounts Payable and Accrued Liabilities	(590,315)	-	-	(365,985)	-	(3,060)
Prop 1D Liability	-	-	-	585,034	-	-
Prop 51 Liability	(103,172)	-	-	-	-	-
Deferred Revenue	-	37,907	(37,540)	(59,101)	(91,535)	(15,779)
Notes Payable	-	-	-	(219,050)	-	-
Net Adjustments and Reclassifications	<u>(255,030)</u>	<u>212,778</u>	<u>244,498</u>	<u>107,103</u>	<u>(6,665)</u>	<u>56,413</u>
June 30, 2022 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 6,508,265</u>	<u>\$ 2,968,615</u>	<u>\$ 3,430,641</u>	<u>\$ 10,630,318</u>	<u>\$ 2,976,167</u>	<u>\$ 2,699,839</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, 2022**

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		\$ 257,932	\$ 189,767	\$ 233,113	\$ 190,724	\$ 162,999	\$ 32,528	\$ 1,067,063
Title II, Part A, Improving Teacher Quality	84.367	14341		32,607	25,038	29,245	23,439	21,463	3,167	134,959
Title III, Part A, Limited English Proficiency	84.365	14346		59,758	33,313	33,930	27,495	22,815	-	177,311
Title III, Part A Immigrant Student	84.365	15146		(2,257)	-	4,412	883	2,758	-	5,796
Title IV, Student Support & Academic Enrichment Program	84.424	14941		16,725	12,410	18,069	13,780	12,489	10,000	83,473
Special Education Cluster:										
IDEA Basic Local Assistance Entitlement, Part B	84.027	13379		84,744	71,201	81,114	67,711	57,380	19,964	382,114
IDEA Mental Health Services, Part B	84.027A	14468		-	-	-	-	-	28,608	28,608
Total Special Education Cluster				<u>84,744</u>	<u>71,201</u>	<u>81,114</u>	<u>67,711</u>	<u>57,380</u>	<u>48,572</u>	<u>410,722</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	296	92,700	46,705	189	172	-	140,062
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	495,640	220,421	442,102	225,186	197,577	104,270	1,685,196
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	COVID-19	271,643	186,438	263,372	96,782	142,746	-	960,981
Total Coronavirus Aid, Relief, and Economic Security Act (CARES Act)				<u>767,579</u>	<u>499,559</u>	<u>752,179</u>	<u>322,157</u>	<u>340,495</u>	<u>104,270</u>	<u>2,786,239</u>
Pass-Through the California School Finance Authority										
Charter Schools Facilities Incentive Grant	84.282D	N/A		176,388	160,404	191,016	156,200	107,767	-	791,775
Total U.S. Department of Education				<u>1,393,476</u>	<u>991,692</u>	<u>1,343,078</u>	<u>802,389</u>	<u>728,166</u>	<u>198,537</u>	<u>5,457,338</u>
U.S. Department of Agriculture										
Pass-Through the California Department of Education										
Continuing Appropriations Act and Other Extensions Act:										
Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	15644	COVID-19	614	614	614	614	614	614	3,684
Child Nutrition Cluster:										
School Breakfast Program	10.553	13525		33,037	45,490	40,483	21,417	11,558	20,348	172,333
National School Lunch Program	10.555	23165		253,484	159,079	196,407	206,436	133,349	67,610	1,016,365
Meal Supplements	10.555	13755		6,480	12,476	10,173	8,547	12,333	1,084	51,093
Total Child Nutrition Cluster				<u>293,001</u>	<u>217,045</u>	<u>247,063</u>	<u>236,400</u>	<u>157,240</u>	<u>89,042</u>	<u>1,239,791</u>
Total U.S. Department of Agriculture				<u>293,615</u>	<u>217,659</u>	<u>247,677</u>	<u>237,014</u>	<u>157,854</u>	<u>89,656</u>	<u>1,243,475</u>
Total Expenditures of Federal Awards				<u>\$ 1,687,091</u>	<u>\$ 1,209,351</u>	<u>\$ 1,590,755</u>	<u>\$ 1,039,403</u>	<u>\$ 886,020</u>	<u>\$ 288,193</u>	<u>\$ 6,700,813</u>

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

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

EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	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	\$ 17,872	\$ 5,084	\$ 60,215	\$ 18,937	\$ -	\$ 1,007,169	\$ -	\$ -	\$ 1,118,304
Accounts Receivable - Federal and State	1,882,746	1,417,587	1,696,758	1,508,500	1,108,973	607,898	674,472	-	-	8,896,934
Accounts Receivable - Other	2,700	12,419	-	-	1,800	-	5,309	-	-	22,228
Intercompany Receivable	5,300,260	3,483,705	3,591,201	2,561,321	3,488,236	-	-	-	(18,424,723)	-
Prepaid Expenses and Other Assets	-	-	-	-	-	-	37,768	-	-	37,768
Total Current Assets	<u>7,194,733</u>	<u>4,931,583</u>	<u>5,293,043</u>	<u>4,130,036</u>	<u>4,617,946</u>	<u>607,898</u>	<u>1,724,718</u>	<u>-</u>	<u>(18,424,723)</u>	<u>10,075,234</u>
PROPERTY, PLANT, AND EQUIPMENT										
Land	-	-	-	-	-	-	-	1,066,937	-	1,066,937
Buildings and Building Improvements	168,634	178,002	196,737	17,833,497	196,739	-	-	4,838,323	-	23,411,932
Equipment	57,878	31,541	44,296	26,320	6,756	168,722	-	-	-	335,513
Construction In Progress	3,049,404	-	270,685	-	-	14,453,268	-	-	-	17,773,357
Accumulated Depreciation	(34,590)	(36,554)	(54,351)	(632,776)	(59,972)	(1,197)	-	-	-	(819,440)
Total Property, Plant, and Equipment, Net	<u>3,241,326</u>	<u>172,989</u>	<u>457,367</u>	<u>17,227,041</u>	<u>143,523</u>	<u>14,620,793</u>	<u>-</u>	<u>5,905,260</u>	<u>-</u>	<u>41,768,299</u>
Total Assets	<u>\$ 10,436,059</u>	<u>\$ 5,104,572</u>	<u>\$ 5,750,410</u>	<u>\$ 21,357,077</u>	<u>\$ 4,761,469</u>	<u>\$ 15,228,691</u>	<u>\$ 1,724,718</u>	<u>\$ 5,905,260</u>	<u>\$ (18,424,723)</u>	<u>\$ 51,843,533</u>
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts Payable and Accrued Liabilities	\$ 1,949,940	\$ 727,762	\$ 794,387	\$ 804,687	\$ 654,796	\$ 2,764,401	434,938.00	\$ -	\$ -	\$ 8,130,911
Deferred Revenue	53,029	38,490	166,562	104,245	163,584	37,168	-	-	-	563,078
Intercompany Payable	-	-	-	-	-	9,147,641	9,277,082	-	(18,424,723)	-
Notes Payable, Current Portion	1,231,339	1,369,705	1,358,820	1,502,622	966,922	579,642	-	-	-	7,009,050
Total Current Liabilities	<u>3,234,308</u>	<u>2,135,957</u>	<u>2,319,769</u>	<u>2,411,554</u>	<u>1,785,302</u>	<u>12,528,852</u>	<u>9,712,020</u>	<u>-</u>	<u>(18,424,723)</u>	<u>15,703,039</u>
LONG-TERM LIABILITIES										
Prop 1D Liability	-	-	-	8,315,205	-	-	-	-	-	8,315,205
Prop 51 Liability	693,486	-	-	-	-	-	-	-	-	693,486
Total Long-Term Liabilities	<u>693,486</u>	<u>-</u>	<u>-</u>	<u>8,315,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,008,691</u>
Total Liabilities	<u>3,927,794</u>	<u>2,135,957</u>	<u>2,319,769</u>	<u>10,726,759</u>	<u>1,785,302</u>	<u>12,528,852</u>	<u>9,712,020</u>	<u>-</u>	<u>(18,424,723)</u>	<u>24,711,730</u>
NET ASSETS										
Without Donor Restriction	<u>6,508,265</u>	<u>2,968,615</u>	<u>3,430,641</u>	<u>10,630,318</u>	<u>2,976,167</u>	<u>2,699,839</u>	<u>(7,987,302)</u>	<u>5,905,260</u>	<u>-</u>	<u>27,131,803</u>
Total Net Assets	<u>6,508,265</u>	<u>2,968,615</u>	<u>3,430,641</u>	<u>10,630,318</u>	<u>2,976,167</u>	<u>2,699,839</u>	<u>(7,987,302)</u>	<u>5,905,260</u>	<u>-</u>	<u>27,131,803</u>
Total Liabilities and Net Assets	<u>\$ 10,436,059</u>	<u>\$ 5,104,572</u>	<u>\$ 5,750,410</u>	<u>\$ 21,357,077</u>	<u>\$ 4,761,469</u>	<u>\$ 15,228,691</u>	<u>\$ 1,724,718</u>	<u>\$ 5,905,260</u>	<u>\$ (18,424,723)</u>	<u>\$ 51,843,533</u>

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

**EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Achieve Academy	ASCEND	Cox Academy	Epic Academy	Lazear Charter Academy	Learning Without Limits	Latitude	Home Office	Epic 1112 LLC	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTION											
State Revenue:											
State Aid	\$ 4,444,270	\$ 3,764,780	\$ 4,044,644	\$ -	\$ 3,660,868	\$ 2,817,246	\$ 2,046,995	\$ -	\$ -	\$ -	\$ 20,778,803
Other State Revenue	4,069,876	1,590,887	1,870,279	-	3,340,017	1,424,370	579,757	120,646	-	-	12,995,832
Federal Revenue:											
Grants And Entitlements	1,687,091	1,209,351	1,590,755	-	1,039,403	886,020	288,193	-	-	-	6,700,813
Local Revenue:											
In-Lieu Property Tax Revenue	1,666,368	1,513,809	1,540,422	-	1,340,650	1,102,428	-	-	-	-	7,163,677
Contributions	307,140	274,962	382,343	(17,084)	235,317	278,655	2,111,931	820,122	-	-	4,393,386
PPP Loan Forgiveness	1,053,073	708,561	848,468	-	701,230	585,740	398,161	963,847	-	-	5,259,080
Measure G1	95,836	146,584	89,932	-	142,928	64,042	-	-	-	-	539,322
Loss on Disposal of Fixed Assets	-	-	-	(1,275,637)	-	-	-	-	-	-	(1,275,637)
Home Office Service Fees	-	-	-	-	-	-	-	3,744,527	-	(3,744,527)	-
Other Revenue	(1,404)	(772)	(1,719)	-	(1,088)	(8,651)	(631)	45,477	-	-	31,212
Total Revenues Without Donor Restriction	13,322,250	9,208,162	10,365,124	(1,292,721)	10,459,325	7,149,850	5,424,406	5,694,619	-	(3,744,527)	56,586,488
EXPENSES											
Program Services	8,722,834	6,266,741	7,636,917	(37,727)	6,073,733	4,381,576	4,249,452	889,745	-	-	38,183,271
Management and General	1,926,115	1,637,142	1,667,906	19,259	2,221,332	1,388,936	723,777	3,508,796	-	(3,744,527)	9,348,736
Total Expenses	10,648,949	7,903,883	9,304,823	(18,468)	8,295,065	5,770,512	4,973,229	4,398,541	-	(3,744,527)	47,532,007
Transfer of Net Assets	-	-	-	1,059,688	-	-	-	(1,059,688)	-	-	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	2,673,301	1,304,279	1,060,301	(214,565)	2,164,260	1,379,338	451,177	236,390	-	-	9,054,481
Net Assets without Donor Restriction - Beginning of Year	3,834,964	1,664,336	2,370,340	214,565	8,466,058	1,596,829	2,248,662	(8,223,692)	5,905,260	-	18,077,322
NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR	<u>\$ 6,508,265</u>	<u>\$ 2,968,615</u>	<u>\$ 3,430,641</u>	<u>\$ -</u>	<u>\$ 10,630,318</u>	<u>\$ 2,976,167</u>	<u>\$ 2,699,839</u>	<u>\$ (7,987,302)</u>	<u>\$ 5,905,260</u>	<u>\$ -</u>	<u>\$ 27,131,803</u>

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

**EDUCATION FOR CHANGE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

	Achieve Academy	ASCEND	Cox Academy	Epic Academy	Lazezar Charter Academy	Learning Without Limits	Latitude	Home Office	Epic 1112 LLC	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES											
Change in Net Assets	\$ 2,673,301	\$ 1,304,279	\$ 1,060,301	\$ (214,565)	\$ 2,164,260	\$ 1,379,338	\$ 451,177	\$ 236,390	\$ -	\$ -	\$ 9,054,481
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided (Used) by Operating Activities:											
Prop 1D Liability Converted to Grant Revenue	-	-	-	-	(1,426,597)	-	-	-	-	-	(1,426,597)
Prop 51 Liability Converted to Grant Revenue	(1,524,702)	-	-	-	-	-	-	-	-	-	(1,524,702)
Depreciation Expense	8,736	11,776	12,480	-	545,558	14,066	1,197	-	-	-	593,813
Transfer of Assets	-	-	-	-	167,527	-	(167,527)	-	-	-	-
Loss on Disposal of Property, Plant, and Equipment	-	-	-	1,275,637	-	-	-	-	-	-	1,275,637
PPP Loan Forgiveness	-	-	-	-	-	-	-	(5,259,080)	-	-	(5,259,080)
(Increase) Decrease in Operating Assets:											
Accounts Receivable - Federal and State	251,873	406,156	149,716	17,084	398,779	376,629	689,525	(334,500)	-	-	1,955,262
Accounts Receivable - Other	(1,700)	2,581	-	(500)	-	(1,800)	32,475	(32,282)	-	-	(1,226)
Intercompany Receivable	(838,982)	(1,063,882)	(952,179)	-	(103,346)	(449,524)	-	-	-	3,407,913	-
Prepaid Expenses and Other Assets	1,016	781	926	-	759	669	221	(12,933)	-	-	(8,561)
Increase (Decrease) in Operating Liabilities:											
Accounts Payable and Accrued Liabilities	1,876,984	(1,135,616)	(696,263)	(1,117,784)	(2,336,150)	(1,717,381)	540,014	6,761,681	-	-	2,175,485
Deferred Revenue	(361,222)	(361,190)	(249,370)	-	(163,250)	(105,826)	(27,563)	(187,500)	-	-	(1,455,921)
Intercompany Payable	-	-	-	-	(1)	-	7,138,026	(3,730,112)	-	(3,407,913)	-
Net Cash Provided (Used) by Operating Activities	2,085,304	(835,115)	(674,389)	(40,128)	(752,461)	(503,829)	8,657,545	(2,558,336)	-	-	5,378,591
CASH FLOWS FROM INVESTING ACTIVITIES											
Purchases of Property, Plant, and Equipment	(2,642,208)	(31,542)	(79,353)	-	-	(6,756)	(8,811,435)	-	-	-	(11,571,294)
Net Cash Used by Investing Activities	(2,642,208)	(31,542)	(79,353)	-	-	(6,756)	(8,811,435)	-	-	-	(11,571,294)
CASH FLOWS FROM FINANCING ACTIVITIES											
Repayment of Notes Payable	(673,241)	(503,745)	(605,015)	-	(542,295)	(441,773)	(466,199)	-	-	-	(3,232,268)
Proceeds from Notes Payable	1,231,339	1,369,705	1,358,820	-	1,283,572	966,922	579,642	-	-	-	6,790,000
Net Cash Provided by Financing Activities	558,098	865,960	753,805	-	741,277	525,149	113,443	-	-	-	3,557,732
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,194	(697)	63	(40,128)	(11,184)	14,564	(40,447)	(2,558,336)	-	-	(2,634,971)
Cash and Cash Equivalents - Beginning of Year	7,833	18,569	5,021	40,128	71,399	4,373	40,447	3,565,505	-	-	3,753,275
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,027</u>	<u>\$ 17,872</u>	<u>\$ 5,084</u>	<u>\$ -</u>	<u>\$ 60,215</u>	<u>\$ 18,937</u>	<u>\$ -</u>	<u>\$ 1,007,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,118,304</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION											
Noncash Investing and Financing Transactions:											
Prop 1D Liability Converted to Grant Revenue	\$ -	\$ -	\$ -	\$ -	\$ 1,426,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,426,597
Prop 51 Liability Converted to Grant Revenue	\$ 1,524,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,524,702
PPP Loan Forgiveness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,259,080	\$ -	\$ -	\$ 5,259,080

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

**EDUCATION FOR CHANGE
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

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, 2022. 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, 2022, 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 March 29, 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 opinions 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 financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

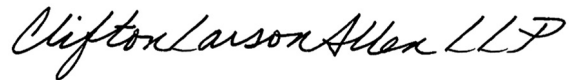
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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
March 29, 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, 2022. 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, 2022.

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.

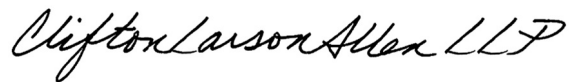
Report on Internal Control Over Compliance

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
March 29, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Education for Change
Oakland, California

Report on Compliance **Opinion on State Compliance**

We have audited Education for Change(the School) compliance with the types of compliance requirements described in the *2021-2022 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, 2022. The School's State compliance requirements are identified in the table below.

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2022.

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Our responsibilities under those standards and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel 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 below 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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel 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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, 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 below 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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, 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
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

Description	Procedures Performed
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Other Matters

The results of our audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each state program is not modified with respect to this matter.

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

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
March 29, 2023

**EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

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
10.555, 10.553	Child Nutrition Cluster
84.425D	Elementary and Secondary School Emergency Fund
84.425U	Elementary and Secondary School Emergency Relief III (ESSER III) Fund

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, 2022**

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

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.

**EDUCATION FOR CHANGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

2021-001 Internal Control Relating to Closing Process

30000

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

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

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

Status: Implemented



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