

**TEACH, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**

**OPERATING:**

**TEACH Academy of Technologies - #1206**

**TEACH Tech Charter High School - #1658**

**TEACH Preparatory Mildred S. Cunningham & Edith H. Morris  
Elementary - #2004**

**TEACH, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Teach, Inc.  
Los Angeles, California

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of Teach, Inc. (the Organization), 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 consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 Consolidated financial statements section of our report. We are required to be independent of Teach, Inc. 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 Consolidated Financial Statements**

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

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

### ***Auditors' Responsibility for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the Organization's consolidated financial statements as a whole. The TEACH Academy of Technologies, TEACH Tech Charter High School, TEACH Preparatory Elementary, TEACH Public Schools, Inc., Cunningham and Morris, LLC, TEACH Foundation, Wooten Avila LLC, and Eliminations columns in the statements of financial position, activities, and cash flows as well as the supplementary information (as identified in the table of contents) accompanying supplementary schedules, 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole. The Local Education Agency Organization Structure, which is marked “unaudited”, has not been subjected to the auditing procedures applied in the audit of the consolidated 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 REPORT DATE on our consideration of the Organization’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 Organization’s internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE

**TEACH, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 11,927,498
Accounts Receivable - Federal and State	3,957,902
Accounts Receivable - Other	1,445,722
Prepaid Expenses and Other Assets	192,763
Total Current Assets	17,523,885

**LONG-TERM ASSETS**

Restricted Cash and Cash Equivalents	3,491,712
Property, Plant, and Equipment, Net	30,560,454
Total Long-Term Assets	34,052,166

Total Assets	\$ 51,576,051
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	\$ 1,919,971
Deferred Revenue	970,031
Interest Payable	58,498
Notes Payable, Current Portion	76,358
Bonds Payable, Current Portion	325,000
Total Current Liabilities	3,349,858

**LONG-TERM LIABILITIES**

Notes Payable	112,094
Bonds Payable	34,681,637
Total Long-Term Liabilities	34,793,731

Total Liabilities	38,143,589
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**NET ASSETS**

Without Donor Restrictions	13,432,462
Total Net Assets	13,432,462

Total Liabilities and Net Assets	\$ 51,576,051
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See accompanying Notes to Consolidated Financial Statements.

**TEACH, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

**REVENUES, WITHOUT DONOR RESTRICTIONS**

State Revenue:	
State Aid	\$ 10,161,387
Other State Revenue	3,750,861
Federal Revenue:	
Grants and Entitlements	4,839,489
Local Revenue:	
In-Lieu Property Tax Revenue	3,161,989
Contributions	52,431
Investment Loss	(112,492)
Other Revenue	2,715
Total Revenues	<u>21,856,380</u>

**EXPENSES**

Program Services	10,897,771
Management and General	6,534,163
Total Expenses	<u>17,431,934</u>

**CHANGE IN NET ASSETS**

4,424,446

Net Assets Without Donor Restrictions - Beginning of Year

9,008,016

**NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR**

\$ 13,432,462

*See accompanying Notes to Consolidated Financial Statements.*

**TEACH, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 5,050,743	\$ 1,851,028	\$ 6,901,771
Pension Expense	679,294	205,558	884,852
Other Employee Benefits	424,001	152,278	576,279
Payroll Taxes	226,226	85,783	312,009
Management Fees	-	113,193	113,193
Legal Expenses	-	21,242	21,242
Accounting Expenses	-	39,270	39,270
Instructional Materials	1,055,305	19,909	1,075,214
Other Fees for Services	3,102,749	80,037	3,182,786
Advertising and Promotion Expenses	-	22,765	22,765
Office Expenses	-	359,287	359,287
Occupancy Expenses	242,608	374,245	616,853
Travel Expenses	-	33,430	33,430
Interest Expense	-	1,790,680	1,790,680
Depreciation Expense	116,845	1,134,997	1,251,842
Amortization Expense	-	21,145	21,145
Insurance Expense	-	172,729	172,729
Other Expenses	-	56,587	56,587
	<u>\$ 10,897,771</u>	<u>\$ 6,534,163</u>	<u>\$ 17,431,934</u>
Total Expenses by Function	<u>\$ 10,897,771</u>	<u>\$ 6,534,163</u>	<u>\$ 17,431,934</u>

See accompanying Notes to Consolidated Financial Statements.



**TEACH, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 4,424,446
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	1,251,840
Amortization of Debt Issuance Cost and Discount	21,145
(Increase) Decrease in Assets:	
Accounts Receivable - Federal and State	323,796
Accounts Receivable - Other	(697,295)
Prepaid Expenses and Other Assets	71,455
Deferred Rent Asset	9,473
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Liabilities	1,263,614
Deferred Rent Liability	(9,473)
Deferred Revenue	243,904
Interest Payable	(719)
Net Cash Provided by Operating Activities	6,902,186

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property, Plant, and Equipment	(378,504)
Net Cash Used by Investing Activities	(378,504)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayments of Notes/Bonds Payable	(388,192)
Bond Issuance Costs	21,145
Bond Discount/Premium	(43,705)
Net Cash Used by Financing Activities	(410,752)

**NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH**

6,112,930

Cash, Cash Equivalents, and Restricted Cash - Beginning of Year

9,306,280

**CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR**

\$ 15,419,210

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid for Interest	\$ 1,790,680
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**RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH REPORTED WITHIN THE STATEMENT OF FINANCIAL POSITION**

Cash and Cash Equivalents	\$ 11,927,498
Restricted Cash and Cash Equivalents	3,491,712
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statement of Financial Position	\$ 15,419,210

See accompanying Notes to Consolidated Financial Statements.

**TEACH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Teach, Inc. (the Organization) was incorporated in the state of California on January 2, 2001, under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The Organization is comprised of TEACH Public Schools, Inc. (charter management organization), TEACH Academy of Technologies, TEACH Tech Charter High School, TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary (TEACH Preparatory Elementary), and Cunningham & Morris, LLC (the LLC). TEACH Academy of Technologies petitioned and was approved through Los Angeles Unified School District for a charter for a five-year period ending in 2020 under the Education Code Section 47612 and 47613.5, and began operations in 2010. TEACH Tech Charter High School petitioned and was approved through Los Angeles Unified School District for a charter for a five-year period ending in 2019 under the Education Code Section 47612 and 47613.5, and began operations in 2014. TEACH Preparatory Elementary petitioned and was approved through Los Angeles Unified School District for a charter for a five-year period ending in 2023 under the Education Code Section 47612 and 47613.5, and began operations in August 2018.

The Organization currently serves approximately 1,148 students in Transitional Kindergarten through Grade 12.

The mission of the Organization is to create a high quality, innovative teaching, and learning environment that focuses on literacy; integrating state-of-the-art technologies across the core curriculum to achieve academic proficiency for all students.

**Principles of Consolidation**

The consolidated financial statements include the accounts of TEACH, Inc. and its single member limited liability company subsidiary: Cunningham & Morris, LLC, TEACH Foundation and Wooten Avila, LLC. All material intercompany transactions have been eliminated.

**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.

**Basis of Accounting**

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

**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.

**TEACH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

Costs of providing the Organization's programs and other activities have been presented in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and management's estimates of the usage of resources. The expenses that are allocated include management fees, legal, accounting, advertising, travel, interest, depreciation, insurance and other expenses, which are allocated on a directly allocation basis, as well as salaries and wages, benefits, payroll taxes, other fees for service, office expenses, and occupancy, which are allocated on the basis of estimates of time and effort.

**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.

**Cash and Cash Equivalents**

The Organization 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.

**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 3 to 35 years.

**TEACH, INC.**  
**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 Organization 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.

**Revenue Recognition**

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

**Conditional Grants**

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the Organization 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 Organization has conditional grants of \$3,183,640 of which \$970,031 is recognized as deferred revenue in the statement of financial position.

**Compensated Absences**

The Organization does not allow employees to carryover unused vacation. Accordingly, there were no accumulated absence benefits at June 30, 2022.

**TEACH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Organization 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 Organization files and exempt School return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**Evaluation of Subsequent Events**

The Organization has evaluated subsequent events through REPORT DATE, the date these consolidated financial statements were available to be issued.

**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 comprise cash and cash equivalents and accounts receivable for the total amount of \$17,331,122.

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

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The Organization also maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). Amounts over the FDIC insurance are insured by the bank up to 110%. At times, cash in these accounts exceeds the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment in the accompanying consolidated financial statements are presented net of accumulated depreciation. The Organization capitalizes all expenditures for land, buildings, and equipment in excess \$1,000. Depreciation expense was \$1,251,840 as of June 30, 2022.

**TEACH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)**

The components of property, plant, and equipment as of June 30, 2022 are as follows:

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Preparatory Elementary	TEACH Public Schools, Inc.	Cunningham and Morris, LLC	Wooten Avila LLC	Total
Construction in Progress	\$ 792,466	\$ -	\$ -	\$ -	\$ -	\$ 751,929	\$ 1,544,395
Land	-	-	-	-	3,280,111	900,000	4,180,111
Buildings	-	-	-	-	7,786,399	19,567,084	27,353,483
Leasehold Improvements	545,216	198,679	107,496	73,631	-	-	925,022
Furniture, Fixtures, and Equipment	290,002	263,813	174,938	42,526	-	-	771,279
Total Property, Plant, and Equipment	1,627,684	462,492	282,434	116,157	11,066,510	21,219,013	34,774,290
Less: Accumulated Depreciation	(501,147)	(219,834)	(83,295)	(61,931)	(1,607,565)	(1,740,064)	(4,213,836)
Property, Plant, and Equipment, Net	<u>\$ 1,126,537</u>	<u>\$ 242,658</u>	<u>\$ 199,139</u>	<u>\$ 54,226</u>	<u>\$ 9,458,945</u>	<u>\$ 19,478,949</u>	<u>\$ 30,560,454</u>

**NOTE 5 BONDS PAYABLE**

In November 2016, Cunningham & Morris, LLC obtained financing through the CSFA. The amount loaned to the LLC was \$12,530,000 to be applied to the finance or refinance certain costs of the acquisition, construction, improvement, equipping and furnishing of charter school facilities. The loan agreement requires the LLC and TEACH, Inc. to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 5.250% to 5.875%.

In December 2019, Wooten Avila, LLC obtained financing through the CSFA. The amount loaned to the LLC was \$22,310,000 to be applied to the finance or refinance certain costs of the acquisition, construction, improvement, equipping and furnishing of charter school facilities. The loan agreement requires the LLC and TEACH, Inc. to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 4.00% to 5.00%

The LLCs is required to maintain in a bond reserve cash account an amount equal to the bond reserve requirement which is calculated as the least of (a) 10% of the proceeds from the bonds (b) maximum annual debt service with respect to the bonds outstanding, (c) 125% of average annual debt service with respect to the bonds or (d) the last bond year only, the total debt service with respect to the bonds outstanding.

Bonds payable are reported on the consolidated statement of financial position, net of a discount of \$196,365, net of premium \$1,809,689 and net of issue costs of \$696,687. The discount, premium and issue costs are amortized to amortization expense over the life of the bonds.

A portion of the bonds are subject to early redemption at the option of the LLC on any date after June 1, 2026 together with accrued interest.

**TEACH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 BONDS PAYABLE (CONTINUED)**

Future maturities of bonds payable are as follows:

<u>Year Ending June 30,</u>	Cunningham and Morris, LLC	Wooten Avila LLC	Total
2023	\$ 160,000	\$ 165,000	\$ 325,000
2024	170,000	175,000	345,000
2025	175,000	190,000	365,000
2026	190,000	195,000	385,000
2027	200,000	205,000	405,000
Thereafter	11,175,000	21,090,000	32,265,000
Total Future Maturities	12,070,000	22,020,000	34,090,000
Bond Issue Costs	(242,975)	(453,712)	(696,687)
Bond Premium	-	1,809,689	1,809,689
Bond Discount	(196,365)	-	(196,365)
Total Bond Payable	<u>\$ 11,630,660</u>	<u>\$ 23,375,977</u>	<u>\$ 35,006,637</u>

**NOTE 6 NOTES PAYABLE**

In August 2018, the Organization obtained a note payable in the amount of \$372,360. The note is secured by modular buildings previously purchase by the Organization. The note does not have a stated interest rate, but requires monthly payments of \$5,721.22 and has an imputed interest rate of 7.55%. The note matures on July 1, 2025. The balance as of June 30, 2022 was \$168,448.

In August 2019, the Organization entered into a Charter School Revolving Loan with the California School Finance Authority, in the amount of \$150,000. The loan bears an interest rate of 2.21% and matures in October 2022. The balance as of June 30, 2021 was \$20,004.

Future maturities under notes payable are as follows:

<u>Year Ending June 30,</u>	Amount
2023	\$ 76,358
2024	60,762
2025	51,332
Total Future Maturities	<u>\$ 188,452</u>

**TEACH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 PARTICIPATION IN JOINT POWERS AUTHORITY**

The Organization entered into a Joint Powers Agreement (JPA) known as "CharterSAFE" through the California Charter Schools Association Joint Powers Authority (CCSA-JPA), a self-insurance plan for workers' compensation, property/casualty, and school board liability insurance. The CCSA-JPA is governed by a board consisting of a representative from each member organization. The board controls the operation of the CCSA-JPA including selection of management and approval of operating budgets, independent of any influence by the member organizations beyond their representation on the board. Each member organization pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the CCSA-JPA. The CCSA-JPA is a separate entity which is audited by an independent accounting firm.

**NOTE 8 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 Organization chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the Plan. The Organization has no plans to withdraw from this multiemployer plan.

**State Teachers' Retirement System (STRS)**

**Plan Description**

The Organization contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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, 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 Organization did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).



**TEACH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 EMPLOYEE RETIREMENT (CONTINUED)**

**State Teachers' Retirement System (STRS) (Continued)**

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 Organization 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 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 Organization's contributions to STRS for the past three years are as follows:

<u>Year Ending June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2020	\$ 582,671	100%
2021	611,130	100%
2022	776,277	100%

**Public Employees' Retirement System (PERS)**

Plan Description

The Organization contributes to the Organization 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. 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 Organization 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, CA 95814 and [www.calpers.ca.gov](http://www.calpers.ca.gov).

Funding Policy

Active plan members are required to contribute 7.0% of their salary. The Organization 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.

**TEACH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 EMPLOYEE RETIREMENT (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

Funding Policy (Continued)

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

<u>Year Ending June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2020	\$ 86,325	100%
2021	64,257	100%
2022	108,576	100%

**NOTE 9 OPERATING LEASES**

In November 2016, the Organization leased facilities from its intercompany entity, Cunningham & Morris LLC, which expires in June 2052. In December 2019, the Organization leased facilities from its intercompany entity, Wooten Avila, LLC, which expires in June 2020. New leases with Wooten Avila, LLC began in July 2020 and expire in June 2058. Intercompany transactions are eliminated upon consolidation.

Applicable accounting standards require the Organization to record lease expense on a straight-line basis for these leases that have fluctuating payments throughout the lease term. Accordingly, rent expense will differ from actual rent payments made. Rent expenses and actual rent payments for the year ended June 30, 2022 totaled \$2,160,343 and \$2,173,958, respectively.

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Intercompany</u>
2023	\$ 2,169,148
2024	2,167,234
2025	2,168,955
2026	2,158,554
2027	2,151,588
Thereafter	61,774,905
Total	<u>\$ 72,590,384</u>

**NOTE 10 CONTINGENCIES, RISKS AND UNCERTAINTIES**

The Organization 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**

**DRAFT**  
**For Discussion Purposes Only**  
**Subject to Revision**

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

The Organization was established in the state of California on January 2, 2001, when it was granted its charter under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The Organization was granted its charter by the Los Angeles Unified School District (the District) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

The charter schools operated and charter numbers are as follows:

TEACH Academy of Technologies – charter number 1206

TEACH Tech Charter High School – charter number 1658

TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary – charter number 2004

The Board of Directors and the Administrator as of June 30, 2022 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires (2-Year Term)</u></b>
J.J. Lewis	Board Chair	July 2023
James Lobdell	Secretary	September 2022
Kelvin Piazza	Member	May 2022
Spencer Burrows	Member	May 2023
Austin Dragon	Member	July 2023
Cecilia Sandoval	Member	May 2024

**ADMINISTRATOR**

Raul Carranza	Superintendent
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**TEACH, INC.**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**YEAR ENDED JUNE 30, 2022**

	Instructional Minutes		Traditional Calendar Days	Status
	Requirement	Actual		
TEACH Preparatory Elementary:				
Grade TK/K	36,000	46,565	180	In compliance
Grade 1	50,400	59,310	180	In compliance
Grade 2	50,400	59,310	180	In compliance
Grade 3	50,400	59,310	180	In compliance
Grade 4	54,000	62,010	180	In compliance
TEACH Academy of Technologies:				
Grade 5	54,000	64,610	179	In compliance
Grade 6	54,000	64,610	179	In compliance
Grade 7	54,000	64,610	179	In compliance
Grade 8	54,000	64,610	179	In compliance
TEACH Tech Charter High School:				
Grade 9	64,800	83,780	180	In compliance
Grade 10	64,800	83,780	180	In compliance
Grade 11	64,800	83,780	180	In compliance
Grade 12	64,800	83,780	180	In compliance

*See accompanying Independent Auditors' Report and the Notes to Supplementary Information.*

**TEACH, INC.**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)**  
**YEAR ENDED JUNE 30, 2022**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
TEACH Preparatory Elementary:				
Grades TK/K-3	173.76	180.25	173.68	179.77
Grade 4	39.12	40.71	38.73	40.21
ADA Totals	212.88	220.96	212.41	219.98
TEACH Academy of Technologies:				
Grades 5-6	130.74	138.57	129.95	137.60
Grades 7-8	220.69	234.40	219.89	233.18
ADA Totals	351.43	372.97	349.84	370.78
TEACH Tech Charter High School:				
Grades 9-12	360.55	404.22	356.11	396.38
ADA Totals	360.55	404.22	356.11	396.38
ADA Totals	924.86	998.15	918.36	987.14

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

**TEACH, INC.**  
**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

	<u>TEACH Academy of Technologies</u>	<u>TEACH Tech Charter High School</u>	<u>TEACH Preparatory Elementary</u>
June 30, 2022 Annual Financial Report Fund Balances (Net Assets)	\$ 5,778,249	\$ 6,795,552	\$ 2,251,582
Adjustments and Reclassifications:			
Increase (Decrease) of Fund Balance (Net Assets):			
Accounts Receivable - Federal and State	174,986	391,210	456,720
Prepaid Expenses and Other Assets	(1,735)	(143,557)	(256,470)
Accounts Payable and Accrued Liabilities	<u>(106,174)</u>	<u>(88,604)</u>	<u>(52,207)</u>
Net Adjustments and Reclassifications	<u>67,077</u>	<u>159,049</u>	<u>148,043</u>
June 30, 2022 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 5,845,326</u>	<u>\$ 6,954,601</u>	<u>\$ 2,399,625</u>

DRAFT  
 For Discussion Purposes Only  
 Subject to Revision

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

**TEACH, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass- Through Entity Identifying Number	Additional Award Identification	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Preparatory Elementary	Total
<b>U.S. Department of Education</b>							
Pass-Through Program from							
California Department of Education:							
Every Child Succeeds Act							
Title I, Part A, Basic Grants:							
Low-Income and Neglected	84.010	14329		\$ 209,141	\$ 173,832	\$ 97,692	\$ 480,665
Title II, Part A, Teacher Quality	84.367	14341		6,325	5,539	12,727	24,591
Title III, Part A, Limited English Proficiency	84.365	14346		-	-	10,647	10,647
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15391		14,171	11,475	10,000	35,646
Special Education Cluster - IDEA Basic Local Assistance	84.027	13379		111,869	121,242	66,275	299,386
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):							
Elementary and Secondary School Emergency Relief (ESSER) Fund							
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15536	COVID-19	61,311	11,774	-	73,085
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	453,611	672,002	271,333	1,396,946
Total CARES Act:				<u>1,143,452</u>	<u>1,192,755</u>	<u>613,221</u>	<u>2,949,428</u>
<i>Total U.S. Department of Education</i>				1,484,958	1,504,843	810,562	3,800,363
<b>U.S. Department of Agriculture</b>							
Pass-Through Program from							
California Department of Education:							
Child Nutrition Cluster:							
School Breakfast Program Especially Needy Breakfast							
	10.553	N/A		122,699	116,776	104,820	344,295
National School Lunch Program							
	10.555	N/A		246,965	235,044	210,980	692,989
Child Nutrition Cluster Subtotal				<u>369,664</u>	<u>351,820</u>	<u>315,800</u>	<u>1,037,284</u>
Continuing Appropriations Act and Other Extensions Act:							
Pandemic Electronic Benefit Transfer (P-EBT)							
Administrative Costs Grant	10.649	15644	COVID-19	614	614	614	1,842
<i>Total U.S. Department of Agriculture</i>				370,278	352,434	316,414	1,039,126
Total Federal Expenditures				<u>\$ 1,855,236</u>	<u>\$ 1,857,277</u>	<u>\$ 1,126,976</u>	<u>\$ 4,839,489</u>

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

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



**TEACH, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Preparatory Elementary	TEACH Public Schools, Inc.	Cunningham and Morris, LLC	TEACH Foundation	Wooten Avila LLC	Eliminations	Consolidated Total
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and Cash Equivalents	\$ 4,414,802	\$ 5,394,487	\$ 1,355,793	\$ 405,726	\$ 90,151	\$ -	\$ 266,539	\$ -	\$ 11,927,498
Accounts Receivable - Federal and State	1,373,000	1,402,414	1,182,488	-	-	-	-	-	3,957,902
Accounts Receivable - Other	678,577	498,812	258,056	-	3,005	2,337	4,935	-	1,445,722
Intercompany Receivables	49,183	142,437	-	421,136	-	-	-	(612,756)	-
Prepaid Expenses and Other Assets	33,950	38,536	117,043	27,683	-	-	3,625	(28,074)	192,763
Total Current Assets	6,549,512	7,476,686	2,913,380	854,545	93,156	2,337	275,099	(640,830)	17,523,885
<b>LONG-TERM ASSETS</b>									
Restricted Cash and Cash Equivalents	-	-	-	-	1,030,391	-	2,461,321	-	3,491,712
Deferred Rent Asset	-	56,991	1,586	-	203,827	-	-	(262,404)	-
Property, Plant, and Equipment, Net	1,126,537	242,658	199,139	54,226	9,458,945	-	19,478,949	-	30,560,454
Total Long-Term Assets	1,126,537	299,649	200,725	54,226	10,693,163	-	21,940,270	(262,404)	34,052,166
Total Assets	\$ 7,676,049	\$ 7,776,335	\$ 3,114,105	\$ 908,771	\$ 10,786,319	\$ 2,337	\$ 22,215,369	\$ (903,234)	\$ 51,576,051
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Accounts Payable and Accrued Liabilities	\$ 752,175	\$ 466,343	\$ 333,853	\$ 367,600	\$ -	\$ -	\$ -	\$ -	\$ 1,919,971
Intercompany Payables	90,907	242,268	119,082	-	11,556	-	148,943	(612,756)	-
Deferred Revenue	615,367	113,123	241,541	-	-	-	28,074	(28,074)	970,031
Deferred Rent Liability, Current Portion	9,514	-	-	-	-	-	-	(9,514)	-
Interest Payable	-	-	-	-	58,498	-	-	-	58,498
Notes Payable, Current Portion	56,354	-	20,004	-	-	-	-	-	76,358
Bonds Payable, Current Portion	-	-	-	-	160,000	-	165,000	-	325,000
Total Current Liabilities	1,524,317	821,734	714,480	367,600	230,054	-	342,017	(650,344)	3,349,858
<b>LONG-TERM LIABILITIES</b>									
Deferred Rent Liability	194,312	-	-	-	-	-	58,578	(252,890)	-
Notes Payable	112,094	-	-	-	-	-	-	-	112,094
Bonds Payable	-	-	-	-	11,470,660	-	23,210,977	-	34,681,637
Total Long-Term Liabilities	306,406	-	-	-	11,470,660	-	23,269,555	(252,890)	34,793,731
<b>NET ASSETS</b>									
Without Donor Restrictions	5,845,326	6,954,601	2,399,625	541,171	(914,395)	2,337	(1,396,203)	-	13,432,462
Total Net Assets	5,845,326	6,954,601	2,399,625	541,171	(914,395)	2,337	(1,396,203)	-	13,432,462
Total Liabilities and Net Assets	\$ 7,676,049	\$ 7,776,335	\$ 3,114,105	\$ 908,771	\$ 10,786,319	\$ 2,337	\$ 22,215,369	\$ (903,234)	\$ 51,576,051

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

**TEACH, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES BY LOCATION**  
**YEAR ENDED JUNE 30, 2022**

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Preparatory Elementary	TEACH Public Schools, Inc.	Cunningham and Morris, LLC	TEACH Foundation	Wooten Avila LLC	Eliminations	Consolidated Total
<b>REVENUES, WITHOUT DONOR RESTRICTION</b>									
State Revenue:									
State Aid	\$ 3,300,859	\$ 4,620,862	\$ 2,239,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,161,387
Other State Revenue	1,348,945	1,512,514	889,402	-	-	-	-	-	3,750,861
Federal Revenue:									
Grants and Entitlements	1,855,236	1,857,277	1,126,976	-	-	-	-	-	4,839,489
Local Revenue:									
In-Lieu Property Tax Revenue	1,181,513	1,280,508	699,968	-	-	-	-	-	3,161,989
Contributions	16,504	35,927	-	-	-	-	-	-	52,431
Investment Loss	-	-	-	-	(48,842)	-	(63,650)	-	(112,492)
Other Revenue	2,715	-	-	2,206,228	861,428	-	1,298,915	(4,366,571)	2,715
Total Revenues	7,705,772	9,307,088	4,956,012	2,206,228	812,586	-	1,235,265	(4,366,571)	21,856,380
<b>EXPENSES</b>									
Program Services	4,644,113	4,567,863	2,866,786	681,237	-	-	-	(1,862,228)	10,897,771
Management and General	1,900,329	1,811,715	895,971	1,600,858	1,032,883	-	1,796,750	(2,504,343)	6,534,163
Total Expenses	6,544,442	6,379,578	3,762,757	2,282,095	1,032,883	-	1,796,750	(4,366,571)	17,431,934
<b>CHANGE IN NET ASSETS</b>	1,161,330	2,927,510	1,193,255	(75,867)	(220,297)	-	(561,485)	-	4,424,446
Net Assets Without Donor Restrictions - Beginning of Year	4,683,996	4,027,091	1,206,370	617,038	(694,098)	2,337	(834,718)	-	9,008,016
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	<b>\$ 5,845,326</b>	<b>\$ 6,954,601</b>	<b>\$ 2,399,625</b>	<b>\$ 541,171</b>	<b>\$ (914,395)</b>	<b>\$ 2,337</b>	<b>\$ (1,396,203)</b>	<b>\$ -</b>	<b>\$ 13,432,462</b>

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

**TEACH, INC.**  
**CONSOLIDATING STATEMENT OF CASH FLOWS BY LOCATION**  
**YEAR ENDED JUNE 30, 2022**

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Preparatory Elementary	TEACH Public Schools, Inc.	Cunningham and Morris, LLC	TEACH Foundation	Wooten Avila LLC	Eliminations	Consolidated Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Change in Net Assets	\$ 1,161,330	\$ 2,927,510	\$ 1,193,255	\$ (75,867)	\$ (220,297)	\$ -	\$ (561,485)	\$ -	\$ 4,424,446
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:									
Depreciation	133,975	60,229	39,484	11,898	294,727	-	711,527	-	1,251,840
Amortization	-	-	-	-	8,542	-	12,603	-	21,145
(Increase) Decrease in Assets:									
Accounts Receivable - Federal and State	71,445	474,632	(222,281)	-	-	-	-	-	323,796
Accounts Receivable - Other Deposits	(247,804)	(290,775)	(152,985)	-	(1,687)	-	(4,044)	-	(697,295)
Intercompany Receivables	4,973	(470)	-	(109,215)	-	-	-	104,712	-
Prepaid Expenses and Other Assets	16,628	24,784	29,770	273	-	-	-	-	71,455
Deferred Rent Asset	-	(484)	(1,586)	-	11,543	-	-	-	9,473
Increase (Decrease) in Liabilities:									
Accounts Payable and Accrued Liabilities	469,769	323,848	274,360	202,797	-	-	(7,160)	-	1,263,614
Intercompany Payables	(74,389)	173,207	(12,638)	-	11,556	-	6,976	(104,712)	-
Deferred Rent Liability	(11,544)	-	-	-	-	-	2,071	-	(9,473)
Deferred Revenue	232,768	(116,832)	127,500	-	-	-	468	-	243,904
Interest Payable	-	-	-	-	(719)	-	-	-	(719)
Net Cash Provided by Operating Activities	1,757,151	3,575,649	1,274,879	29,886	103,665	-	160,956	-	6,902,186
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Purchases of Property, Plant, and Equipment	(34,463)	(150,595)	(74,120)	(10,881)	(8,541)	-	(99,904)	-	(378,504)
Net Cash Used in Investing Activities	(34,463)	(150,595)	(74,120)	(10,881)	(8,541)	-	(99,904)	-	(378,504)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Repayments of Notes/Bonds Payable	(53,194)	-	(19,998)	-	(150,000)	-	(165,000)	-	(388,192)
Bond Issuance Costs	-	-	-	-	8,542	-	12,603	-	21,145
Bond Discount/Premium	-	-	-	-	6,564	-	(50,269)	-	(43,705)
Net Cash Used by Financing Activities	(53,194)	-	(19,998)	-	(134,894)	-	(202,666)	-	(410,752)
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	1,669,494	3,425,054	1,180,761	19,005	(39,770)	-	(141,614)	-	6,112,930
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	2,745,308	1,969,433	175,032	386,721	1,160,312	-	2,869,474	-	9,306,280
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 4,414,802</u>	<u>\$ 5,394,487</u>	<u>\$ 1,355,793</u>	<u>\$ 405,726</u>	<u>\$ 1,120,542</u>	<u>\$ -</u>	<u>\$ 2,727,860</u>	<u>\$ -</u>	<u>\$ 15,419,210</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>									
Cash Paid for Interest	\$ 15,460	\$ -	\$ 791	\$ -	\$ 716,880	\$ -	\$ 1,057,549	\$ -	\$ 1,790,680
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH REPORTED WITHIN THE STATEMENT OF FINANCIAL POSITION</b>									
Cash and Cash Equivalents	\$ 4,414,802	\$ 5,394,487	\$ 1,355,793	\$ 405,726	\$ 90,151	\$ -	\$ 266,539	\$ -	\$ 11,927,498
Restricted Cash and Cash Equivalents	-	-	-	-	1,030,391	-	2,461,321	-	3,491,712
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statement of Financial Position	<u>\$ 4,414,802</u>	<u>\$ 5,394,487</u>	<u>\$ 1,355,793</u>	<u>\$ 405,726</u>	<u>\$ 1,120,542</u>	<u>\$ -</u>	<u>\$ 2,727,860</u>	<u>\$ -</u>	<u>\$ 15,419,210</u>

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

**TEACH, INC.**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**YEAR ENDED 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 Organization and whether the Organization 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 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 Organization 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 Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE 5 INDIRECT COST RATE**

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

**NOTE 6 SUPPLEMENTARY STATEMENTS BY LOCATION AND ENTITY**

These statements report the financial position, activities and cash flows for each of TEACH, Inc.'s charter schools, departments, and subsidiaries.

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

Board of Directors  
Teach, Inc.  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Teach, Inc. (the Organization), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated REPORT DATE.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Organization’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 Organization’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 Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE

DRAFT  
For Discussion Purpose Only  
Subject to Revision

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

Board of Directors  
Teach, Inc.  
Los Angeles, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Teach, Inc.'s (the Organization) 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 Organization's major federal programs for the year ended June 30, 2022. The Organization'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 Organization 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 Organization 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 Organization'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 Organization'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 Organization'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 Organization'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 Organization'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 Organization'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 Organization'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.



Board of Directors  
Teach, Inc.

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  
REPORT DATE

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Teach, Inc.  
Los Angeles, California

### **Opinion on State Compliance**

We have audited Teach, Inc.'s (the Organization) 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 Organization's State compliance requirements are identified in the table below.

In our opinion, the Organization 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 Organization 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 Organization's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

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

### **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 Organization'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 Organization'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 Organization'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 Organization'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 Organization'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 Organization’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
Independent Study-Course Based	Not Applicable
Immunizations	Yes
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

**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  
REPORT DATE

**TEACH, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2022**

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**Section I – Summary of Auditors’ Results**

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**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 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**

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.553 & 10.555	Child Nutrition Cluster
84.425 D & 84.425U	Elementary & Secondary School Emergency Relief (ESSER, ESSER II, ESSER III) Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

  x   yes      \_\_\_\_\_ no

**TEACH, INC.**  
**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
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

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***Section II – Financial Statement Findings***

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

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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

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***Findings and Questioned Costs – State Compliance***

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There were no findings or questioned costs related to state awards for June 30, 2022.

**TEACH, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2022**

There were no findings and questioned costs related to the consolidated financial statements, federal awards, or state awards for the prior year.

DRAFT  
For Discussion Purposes Only  
Subject to Revision