

TEACH, INC.
**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2021

OPERATING:

TEACH Academy of Technologies - #1206

TEACH Tech Charter High School - #1658

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



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AUDIT, TAX, AND CONSULTING

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TEACH, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Teach, Inc.
Los Angeles, California

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, 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.


Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Organization's consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying supplementary schedules as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 26, 2022 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 on the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
January 26, 2022

TEACH, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS

| | |
|---|--------------|
| Cash and Cash Equivalents | \$ 5,626,930 |
| Accounts Receivable - Federal and State | 4,281,698 |
| Accounts Receivable - Other | 748,427 |
| Prepaid Expenses and Other Assets | 264,686 |
| Total Current Assets | 10,921,741 |

LONG-TERM ASSETS

| | |
|--------------------------------------|------------|
| Restricted Cash and Cash Equivalents | 3,679,350 |
| Property, Plant, and Equipment, Net | 31,454,935 |
| Total Long-Term Assets | 35,134,285 |

| | |
|--------------|---------------|
| Total Assets | \$ 46,056,026 |
|--------------|---------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|--|------------|
| Accounts Payable and Accrued Liabilities | \$ 656,357 |
| Deferred Revenue | 726,595 |
| Interest Payable | 59,217 |
| Notes Payable, Current Portion | 77,625 |
| Bonds Payable, Current Portion | 315,000 |
| Total Current Liabilities | 1,834,794 |

LONG-TERM LIABILITIES

| | |
|-----------------------------|------------|
| Notes Payable | 184,019 |
| Bonds Payable | 35,029,197 |
| Total Long-Term Liabilities | 35,213,216 |

| | |
|-------------------|------------|
| Total Liabilities | 37,048,010 |
|-------------------|------------|

NET ASSETS

| | |
|----------------------------|-----------|
| Without Donor Restrictions | 9,008,016 |
| Total Net Assets | 9,008,016 |

| | |
|----------------------------------|---------------|
| Total Liabilities and Net Assets | \$ 46,056,026 |
|----------------------------------|---------------|

See accompanying Notes to Consolidated Financial Statements.

TEACH, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

REVENUES, WITHOUT DONOR RESTRICTIONS

| | |
|------------------------------|-------------------|
| State Revenue: | |
| State Aid | \$ 8,817,695 |
| Other State Revenue | 2,468,739 |
| Federal Revenue: | |
| Grants and Entitlements | 2,577,018 |
| Local Revenue: | |
| In-Lieu Property Tax Revenue | 2,958,843 |
| Contributions | 31,398 |
| Forgiveness of Notes Payable | 1,030,000 |
| Investment Income | (30,315) |
| Other Revenue | 14,486 |
| Total Revenues | <u>17,867,864</u> |

EXPENSES

| | |
|------------------------|-------------------|
| Program Services | 8,098,333 |
| Management and General | 5,069,670 |
| Total Expenses | <u>13,168,003</u> |

CHANGE IN NET ASSETS 4,699,861

Net Assets Without Donor Restrictions - Beginning of Year 4,308,155

NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR \$ 9,008,016

See accompanying Notes to Consolidated Financial Statements.

TEACH, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

| | <u>Program Services</u> | <u>Management and General</u> | <u>Total Expenses</u> |
|------------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Salaries and Wages | \$ 4,114,884 | \$ 970,715 | \$ 5,085,599 |
| Pension Expense | 582,781 | 92,605 | 675,386 |
| Other Employee Benefits | 405,047 | 95,665 | 500,712 |
| Payroll Taxes | 162,084 | 60,754 | 222,838 |
| Management Fees | - | 209,619 | 209,619 |
| Legal Expenses | - | 4,646 | 4,646 |
| Accounting Expenses | - | 32,339 | 32,339 |
| Instructional Materials | 1,385,982 | 252,130 | 1,638,112 |
| Other Fees for Services | 841,187 | 67,701 | 908,888 |
| Advertising and Promotion Expenses | - | 11,517 | 11,517 |
| Office Expenses | 218,951 | 85,166 | 304,117 |
| Occupancy Expenses | 289,237 | 61,429 | 350,666 |
| Travel Expenses | - | 2,527 | 2,527 |
| Interest Expense | - | 1,804,910 | 1,804,910 |
| Depreciation Expense | 98,180 | 1,125,585 | 1,223,765 |
| Insurance Expense | - | 172,435 | 172,435 |
| Other Expenses | - | 19,927 | 19,927 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Expenses by Function | <u><u>\$ 8,098,333</u></u> | <u><u>\$ 5,069,670</u></u> | <u><u>\$ 13,168,003</u></u> |

See accompanying Notes to Consolidated Financial Statements.

TEACH, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------|
| Change in Net Assets | \$ 4,699,861 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | |
| Depreciation | 1,215,774 |
| Amortization of Debt Issuance Cost and Discount | 21,184 |
| Forgiveness of Notes Payable | (1,030,000) |
| (Increase) Decrease in Assets: | |
| Accounts Receivable - Federal and State | (2,310,021) |
| Accounts Receivable - Other | (397,633) |
| Prepaid Expenses and Other Assets | (99,309) |
| Deferred Rent Asset | (35,720) |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable and Accrued Liabilities | 162,014 |
| Deferred Rent Liability | 35,720 |
| Deferred Revenue | 721,564 |
| Interest Payable | (719) |
| Net Cash Provided by Operating Activities | 2,982,715 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-----------|
| Purchases of Property, Plant, and Equipment | (478,790) |
|---|-----------|

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---------------------------------------|-----------|
| Proceeds of Notes Payable | (73,193) |
| Repayments of Notes/Bonds Payable | (270,000) |
| Bond Issuance Costs | 18,184 |
| Bond Discount/Premium | (43,202) |
| Net Cash Used by Financing Activities | (368,211) |

NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

2,135,714

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

7,170,566

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

\$ 9,306,280

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | |
|------------------------|--------------|
| Cash Paid for Interest | \$ 1,804,910 |
|------------------------|--------------|

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES

| | |
|------------------------------|--------------|
| Forgiveness of Notes Payable | \$ 1,030,000 |
|------------------------------|--------------|

RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH REPORTED WITHIN THE STATEMENT OF FINANCIAL POSITION

| | |
|--|--------------|
| Cash and Cash Equivalents | \$ 5,626,930 |
| Restricted Cash and Cash Equivalents | 3,679,350 |
| Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statement of Financial Position | \$ 9,306,280 |

See accompanying Notes to Consolidated Financial Statements.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 785 students in Transitional Kindergarten through Grade 3 and Grade 5 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, 2021

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, 2021. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased, or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The useful lives range varies from 3 to 35 years.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2021, the School has conditional grants of \$5,225,589 of which \$862,736 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, 2021.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Organization files and exempt School return and applicable unrelated business income tax 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 January 26, 2022, 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 \$10,657,055.

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 \$1,215,774 as of June 30, 2021.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

The components of property, plant, and equipment as of June 30, 2021 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 | \$ - | \$ - | \$ - | \$ - | \$ 665,628 | \$ 1,458,094 |
| Land | - | - | - | - | 3,280,111 | 900,000 | 4,180,111 |
| Buildings | - | - | - | - | 7,786,399 | 19,566,084 | 27,352,483 |
| Leasehold Improvements | 529,206 | 100,130 | 77,856 | 73,631 | - | - | 780,823 |
| Furniture, Fixtures, and Equipment | 271,549 | 211,767 | 130,457 | 31,645 | - | - | 645,418 |
| Total Property, Plant, and Equipment | 1,593,221 | 311,897 | 208,313 | 105,276 | 11,066,510 | 21,131,712 | 34,416,929 |
| Less: Accumulated Depreciation | (367,172) | (159,605) | (43,810) | (50,033) | (1,312,837) | (1,028,537) | (2,961,994) |
| Property, Plant, and Equipment, Net | <u>\$ 1,226,049</u> | <u>\$ 152,292</u> | <u>\$ 164,503</u> | <u>\$ 55,243</u> | <u>\$ 9,753,673</u> | <u>\$ 20,103,175</u> | <u>\$ 31,454,935</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 \$202,929, net of premium \$1,859,958 and net of issue costs of \$717,832. 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, 2021

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 |
|-----------------------------|----------------------------------|----------------------|----------------------|
| 2022 | \$ 150,000 | \$ 165,000 | \$ 315,000 |
| 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 |
| Thereafter | 11,375,000 | 21,295,000 | 32,670,000 |
| Total Future Maturities | <u>12,220,000</u> | <u>22,185,000</u> | <u>34,405,000</u> |
| Bond Issue Costs | (251,517) | (466,315) | (717,832) |
| Bond Premium | - | 1,859,958 | 1,859,958 |
| Bond Discount | (202,929) | - | (202,929) |
| Total Bond Payable | <u>\$ 11,765,554</u> | <u>\$ 23,578,643</u> | <u>\$ 35,344,197</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, 2021 was \$221,642.

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 \$40,002.

Future maturities under notes payable are as follows:

| <u>Year Ending June 30.</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2022 | \$ 72,265 |
| 2023 | 76,358 |
| 2024 | 60,762 |
| 2025 | 52,259 |
| Total Future Maturities | <u>\$ 261,644</u> |

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 NOTES PAYABLE (CONTINUED)

On May 5, 2020 the Organization received a loan from Cross River Bank in the amount of \$1,030,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the “PPP Loan”). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four 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. 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 ten months after the covered period, then payment of principal and interest shall begin on that date.

In December 2020, the principal amount of \$1,030,000, along with accrued interest of \$6,124, 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 Organization’s financial position.

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.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2020 total STRS plan net assets are \$283 billion, the total actuarial present value of accumulated plan benefits is \$405 billion, contributions from all employers totaled \$6.1 billion, and the plan is 67.1% funded. The 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.

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, 2021 was 16.15% 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> |
|-----------------------------|----------------------------------|--------------------------------|
| 2019 | \$ 482,987 | 100% |
| 2020 | 582,671 | 100% |
| 2021 | 611,130 | 100% |

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 EMPLOYEE RETIREMENT (CONTINUED)

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, 2020, the School Employer Pool total plan assets are \$72 billion, the present value of accumulated plan benefits is \$102 billion, contributions from all employers totaled \$2.9 billion, and the plan is 70% 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.

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, 2021 was 20.7%. The contribution requirements of the plan members are established and may be amended by state statute.

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> |
|-----------------------------|----------------------------------|--------------------------------|
| 2019 | \$ 48,684 | 100% |
| 2020 | 86,325 | 100% |
| 2021 | 64,257 | 100% |

NOTE 9 OPERATING LEASES

In May 2021, the Organization entered into a lease agreement for facilities, which expires in November 2021. The monthly rent for the year ended June 30, 2021 was \$5,000.

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 begin in July 2020 and expire in June 2058. Intercompany transactions are eliminated upon consolidation.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 OPERATING LEASES (CONTINUED)

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 (net of eliminations) for the year ended June 30, 2021 totaled \$2,090,970 and \$20,040, respectively.

The future minimum lease payments are as follows:

| <u>Year Ending June 30,</u> | <u>Intercompany</u> | <u>Third Party</u> |
|-----------------------------|----------------------|--------------------|
| 2022 | \$ 2,173,958 | \$ 20,000 |
| 2023 | 2,169,066 | - |
| 2024 | 2,166,938 | - |
| 2025 | 2,169,170 | - |
| 2026 | 2,159,335 | - |
| Thereafter | 64,094,072 | - |
| Total | <u>\$ 74,932,539</u> | <u>\$ 20,000</u> |

NOTE 10 RELATED PARTY TRANSACTIONS

In March 2021, the Organization entered into a management services agreement between TEACH Inc. and a related party, TEACH Las Vegas. The term of the agreement expires on June 30, 2027. Monthly service fees of 10% start on July 1, 2021. There were no transactions for the year ended June 30, 2021.

NOTE 11 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.

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

SUPPLEMENTARY INFORMATION

TEACH, INC.
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

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, 2021 were as follows:

BOARD OF DIRECTORS

| <u>Member</u> | <u>Office</u> | <u>Term Expires (2-Year Term)</u> |
|----------------------|----------------------|--|
| Sonali Tucker | Chairman | August 2022 |
| Kristen McGregor | Secretary | September 2022 |
| Kelvin Piazza | Member | August 2022 |
| James Lobdell | Member | August 2022 |
| Luz Castillo | Member | May 2021 |
| Spencer Burrows | Member | May 2021 |
| Austin Dragon | Member | July 2021 |

ADMINISTRATOR

| | |
|---------------|----------------|
| Raul Carranza | Superintendent |
|---------------|----------------|

TEACH, INC.
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

| | <u>Traditional Calendar Days</u> | <u>Status</u> |
|---------------------------------|--------------------------------------|---------------|
| TEACH Preparatory Elementary: | | |
| Grade TK/K | 180 | In compliance |
| Grade 1 | 180 | In compliance |
| Grade 2 | 180 | In compliance |
| Grade 3 | 180 | In compliance |
| TEACH Academy of Technologies: | | |
| Grade 5 | 180 | In compliance |
| Grade 6 | 180 | In compliance |
| Grade 7 | 180 | In compliance |
| Grade 8 | 180 | In compliance |
| TEACH Tech Charter High School: | | |
| Grade 9 | 180 | In compliance |
| Grade 10 | 180 | In compliance |
| Grade 11 | 180 | In compliance |
| Grade 12 | 180 | In compliance |

See accompanying Notes to Supplementary Information.

TEACH, INC.
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

| | <u>TEACH Academy of Technologies</u> | <u>TEACH Tech Charter High School</u> | <u>TEACH Preparatory Elementary</u> |
|---|--|---|---|
| June 30, 2021 Annual Financial Report Fund Balances (Net Assets) | \$ 4,759,134 | \$ 4,018,290 | \$ 1,202,309 |
| Adjustments and Reclassifications: | | | |
| Increase (Decrease) of Fund Balance (Net Assets): | | | |
| Accounts Receivable - Federal and State | - | 141,967 | - |
| Prepaid Expenses and Other Assets | - | (198,474) | - |
| Deferred Rent Asset | - | 56,507 | |
| Accounts Payable and Accrued Liabilities | (75,138) | 8,801 | 4,061 |
| Net Adjustments and Reclassifications | <u>(75,138)</u> | <u>8,801</u> | <u>4,061</u> |
| June 30, 2021 Audited Financial Statement Fund Balances (Net Assets) | <u>\$ 4,683,996</u> | <u>\$ 4,027,091</u> | <u>\$ 1,206,370</u> |

See accompanying Notes to Supplementary Information.

TEACH, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

| Federal Grantor / Pass-Through Grantor Program or Cluster Title | Federal Assistance Listing Number | Pass- Through Entity Identifying Number | TEACH Academy of Technologies | TEACH Tech Charter High School | TEACH Preparatory Elementary | Total |
|--|--|---|-------------------------------------|--------------------------------------|------------------------------------|---------------------|
| U.S. Department of Education | | | | | | |
| Pass-Through Program from | | | | | | |
| California Department of Education: | | | | | | |
| No Child Left Behind Act | | | | | | |
| Title I, Part A, Basic Grants: | | | | | | |
| Low-Income and Neglected | 84.010 | 14329 | \$ 198,803 | \$ 171,464 | \$ 54,911 | \$ 425,178 |
| Title II, Part A, Teacher Quality | 84.367 | 14341 | 24,373 | 27,393 | 6,832 | 58,598 |
| Title IV, Part A, Student Support and | | | | | | |
| Academic Enrichment Grants | 84.424 | 15391 | 12,615 | 10,247 | - | 22,862 |
| 21st Century Community Learning Centers | 84.287 | N/A | 45,541 | - | - | 45,541 |
| Special Education Cluster - | | | | | | |
| IDEA Basic Local Assistance | 84.027 | 13379 | 88,590 | 80,591 | 36,382 | 205,563 |
| Coronavirus Aid, Relief, and Economic | | | | | | |
| Security Act (CARES Act): | | | | | | |
| Elementary and Secondary School | | | | | | |
| Emergency Relief (ESSER) Fund - | | | | | | |
| COVID-19 Funding | 84.425D | 15536 | 75,305 | 99,196 | - | 174,501 |
| Governor's Emergency Education Relief | | | | | | |
| (GEER) Fund - COVID-19 Funding | 84.425C | 15517 | 17,020 | 21,621 | 3,220 | 41,861 |
| Total CARES Act: | | | <u>92,325</u> | <u>120,817</u> | <u>3,220</u> | <u>216,362</u> |
| <i>Total U.S. Department of Education</i> | | | 462,247 | 410,512 | 101,345 | 974,104 |
| U.S. Department of Agriculture | | | | | | |
| Pass-Through Program from | | | | | | |
| California Department of Education: | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program Especially | | | | | | |
| Needy Breakfast | 10.553 | N/A | 222,113 | - | - | 222,113 |
| National School Lunch Program | 10.555 | N/A | 283,552 | 36,918 | 26,458 | 346,928 |
| Meal Supplements | 10.555 | N/A | 6,880 | - | - | 6,880 |
| Child Nutrition Cluster Subtotal | | | <u>512,545</u> | <u>36,918</u> | <u>26,458</u> | <u>575,921</u> |
| <i>Total U.S. Department of Agriculture</i> | | | 512,545 | 36,918 | 26,458 | 575,921 |
| U.S. Department of the Treasury | | | | | | |
| Pass-Through Program from | | | | | | |
| California Department of Education: | | | | | | |
| Coronavirus Relief Fund - COVID-19 Funding | 21.019 | 25516 | 436,330 | 455,909 | 134,754 | 1,026,993 |
| <i>Total U.S. Department of the Treasury</i> | | | <u>436,330</u> | <u>455,909</u> | <u>134,754</u> | <u>1,026,993</u> |
| Total Federal Expenditures | | | <u>\$ 1,411,122</u> | <u>\$ 903,339</u> | <u>\$ 262,557</u> | <u>\$ 2,577,018</u> |

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

See accompanying Notes to Supplementary Information.

TEACH, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

| | 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 |
|--|-------------------------------------|--------------------------------------|------------------------------------|----------------------------------|----------------------------------|---------------------|---------------------|--------------|-----------------------|
| ASSETS | | | | | | | | | |
| CURRENT ASSETS | | | | | | | | | |
| Cash and Cash Equivalents | \$ 2,745,308 | \$ 1,969,433 | \$ 175,032 | \$ 386,721 | \$ 90,823 | \$ - | \$ 259,613 | \$ - | \$ 5,626,930 |
| Accounts Receivable - Federal and State | 1,444,445 | 1,877,046 | 960,207 | - | - | - | - | - | 4,281,698 |
| Accounts Receivable - Other | 430,773 | 208,037 | 105,071 | - | 1,318 | 2,337 | 891 | - | 748,427 |
| Intercompany Receivables | 54,156 | 141,967 | - | 311,921 | - | - | - | (508,044) | - |
| Prepaid Expenses and Other Assets | 50,578 | 63,320 | 146,813 | 27,956 | - | - | 3,625 | (27,606) | 264,686 |
| Total Current Assets | 4,725,260 | 4,259,803 | 1,387,123 | 726,598 | 92,141 | 2,337 | 264,129 | (535,650) | 10,921,741 |
| LONG-TERM ASSETS | | | | | | | | | |
| Restricted Cash and Cash Equivalents | - | - | - | - | 1,069,489 | - | 2,609,861 | - | 3,679,350 |
| Deferred Rent Asset | - | 56,507 | - | - | 215,370 | - | - | (271,877) | - |
| Property, Plant, and Equipment, Net | 1,226,049 | 152,292 | 164,503 | 55,243 | 9,753,673 | - | 20,103,175 | - | 31,454,935 |
| Total Long-Term Assets | 1,226,049 | 208,799 | 164,503 | 55,243 | 11,038,532 | - | 22,713,036 | (271,877) | 35,134,285 |
| Total Assets | \$ 5,951,309 | \$ 4,468,602 | \$ 1,551,626 | \$ 781,841 | \$ 11,130,673 | \$ 2,337 | \$ 22,977,165 | \$ (807,527) | \$ 46,056,026 |
| LIABILITIES AND NET ASSETS | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 282,406 | \$ 142,495 | \$ 59,493 | \$ 164,803 | \$ - | \$ - | \$ 7,160 | \$ - | \$ 656,357 |
| Intercompany Payables | 165,296 | 69,061 | 131,720 | - | - | - | 141,967 | (508,044) | - |
| Deferred Revenue | 382,599 | 229,955 | 114,041 | - | - | - | 27,606 | (27,606) | 726,595 |
| Deferred Rent Liability, Current Portion | 11,544 | - | - | - | - | - | - | (11,544) | - |
| Interest Payable | - | - | - | - | 59,217 | - | - | - | 59,217 |
| Notes Payable, Current Portion | 57,627 | - | 19,998 | - | - | - | - | - | 77,625 |
| Bonds Payable, Current Portion | - | - | - | - | 150,000 | - | 165,000 | - | 315,000 |
| Total Current Liabilities | 899,472 | 441,511 | 325,252 | 164,803 | 209,217 | - | 341,733 | (547,194) | 1,834,794 |
| LONG-TERM LIABILITIES | | | | | | | | | |
| Deferred Rent Liability | 203,826 | - | - | - | - | - | 56,507 | (260,333) | - |
| Notes Payable | 164,015 | - | 20,004 | - | - | - | - | - | 184,019 |
| Bonds Payable | - | - | - | - | 11,615,554 | - | 23,413,643 | - | 35,029,197 |
| Total Long-Term Liabilities | 367,841 | - | 20,004 | - | 11,615,554 | - | 23,470,150 | (260,333) | 35,213,216 |
| NET ASSETS | | | | | | | | | |
| Without Donor Restrictions | 4,683,996 | 4,027,091 | 1,206,370 | 617,038 | (694,098) | 2,337 | (834,718) | - | 9,008,016 |
| Total Net Assets | 4,683,996 | 4,027,091 | 1,206,370 | 617,038 | (694,098) | 2,337 | (834,718) | - | 9,008,016 |
| Total Liabilities and Net Assets | \$ 5,951,309 | \$ 4,468,602 | \$ 1,551,626 | \$ 781,841 | \$ 11,130,673 | \$ 2,337 | \$ 22,977,165 | \$ (807,527) | \$ 46,056,026 |

See accompanying Notes to Supplementary Information.

TEACH, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES BY LOCATION
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

| | 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 |
|--|-------------------------------------|--------------------------------------|------------------------------------|----------------------------------|----------------------------------|---------------------|---------------------|--------------------|-----------------------|
| REVENUES, WITHOUT DONOR RESTRICTION | | | | | | | | | |
| State Revenue: | | | | | | | | | |
| State Aid | \$ 3,380,261 | \$ 3,920,116 | \$ 1,517,318 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,817,695 |
| Other State Revenue | 1,099,507 | 853,295 | 515,937 | - | - | - | - | - | 2,468,739 |
| Federal Revenue: | | | | | | | | | |
| Grants and Entitlements | 1,411,122 | 903,339 | 262,557 | - | - | - | - | - | 2,577,018 |
| Local Revenue: | | | | | | | | | |
| In-Lieu Property Tax Revenue | 1,274,369 | 1,160,624 | 523,850 | - | - | - | - | - | 2,958,843 |
| Contributions | 20,360 | 11,033 | - | 5 | - | - | - | - | 31,398 |
| Forgiveness of Notes Payable | 1,030,000 | - | - | - | - | - | - | - | 1,030,000 |
| Investment Loss | - | - | - | - | (19,227) | - | (11,088) | - | (30,315) |
| Other Revenue | - | - | - | 1,692,006 | 861,429 | - | 1,223,987 | (3,762,936) | 14,486 |
| Total Revenues | <u>8,215,619</u> | <u>6,848,407</u> | <u>2,819,662</u> | <u>1,692,011</u> | <u>842,202</u> | <u>-</u> | <u>1,212,899</u> | <u>(3,762,936)</u> | <u>17,867,864</u> |
| EXPENSES | | | | | | | | | |
| Program Services | 4,235,091 | 3,729,929 | 1,513,231 | 276,826 | - | - | - | (1,656,744) | 8,098,333 |
| Management and General | 1,363,629 | 1,227,311 | 845,203 | 913,505 | 1,032,428 | - | 1,793,786 | (2,106,192) | 5,069,670 |
| Total Expenses | <u>5,598,720</u> | <u>4,957,240</u> | <u>2,358,434</u> | <u>1,190,331</u> | <u>1,032,428</u> | <u>-</u> | <u>1,793,786</u> | <u>(3,762,936)</u> | <u>13,168,003</u> |
| TRANSFERS | | | | | | | | | |
| Intracompany Transfers | (672,673) | 422,925 | 176,652 | 73,096 | - | - | - | - | - |
| CHANGE IN NET ASSETS | | | | | | | | | |
| Net Assets Without Donor Restrictions - Beginning of Year | 2,739,770 | 1,712,999 | 568,490 | 42,262 | (503,872) | 2,337 | (253,831) | - | 4,308,155 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR | | | | | | | | | |
| | <u>\$ 4,683,996</u> | <u>\$ 4,027,091</u> | <u>\$ 1,206,370</u> | <u>\$ 617,038</u> | <u>\$ (694,098)</u> | <u>\$ 2,337</u> | <u>\$ (834,718)</u> | <u>\$ -</u> | <u>\$ 9,008,016</u> |

See accompanying Notes to Supplementary Information.

TEACH, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS BY LOCATION
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

| | 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 |
|--|-------------------------------------|--------------------------------------|------------------------------------|----------------------------------|----------------------------------|---------------------|---------------------|--------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | |
| Change in Net Assets | \$ 1,944,226 | \$ 2,314,092 | \$ 637,880 | \$ 574,776 | \$ (190,226) | \$ - | \$ (580,887) | \$ - | \$ 4,699,861 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | | | | | | | | |
| Depreciation | 120,121 | 48,842 | 27,398 | 13,192 | 294,727 | - | 711,494 | - | 1,215,774 |
| Amortization | - | - | - | - | 8,542 | - | 12,642 | - | 21,184 |
| Forgiveness of Notes Payable | (1,030,000) | - | - | - | - | - | - | - | (1,030,000) |
| (Increase) Decrease in Assets: | | | | | | | | | |
| Accounts Receivable - Federal and State | (388,464) | (1,403,989) | (517,568) | - | - | - | - | - | (2,310,021) |
| Accounts Receivable - Other Deposits | (123,464) | (199,806) | (105,071) | 24,000 | 586 | - | 6,122 | - | (397,633) |
| Deposits | - | - | - | - | - | - | - | - | - |
| Intercompany Receivables | (3,169) | - | - | (168,101) | 73,539 | - | - | 97,731 | - |
| Prepaid Expenses and Other Assets | (22,727) | (31,069) | (35,624) | (6,264) | - | - | (3,625) | - | (99,309) |
| Deferred Rent Asset | - | (56,507) | - | - | 20,787 | - | - | - | (35,720) |
| Increase (Decrease) in Liabilities: | | | | | | | | | |
| Accounts Payable and Accrued Liabilities | 54,474 | 113,423 | 5,549 | (17,752) | (840) | - | 7,160 | - | 162,014 |
| Intercompany Payables | 91,757 | (23,706) | 74,416 | (44,736) | - | - | - | (97,731) | - |
| Deferred Rent Liability | (20,787) | - | - | - | - | - | 56,507 | - | 35,720 |
| Deferred Revenue | 357,063 | 222,854 | 114,041 | - | - | - | 27,606 | - | 721,564 |
| Interest Payable | - | - | - | - | (719) | - | - | - | (719) |
| Net Cash Provided by Operating Activities | 979,030 | 984,134 | 201,021 | 375,115 | 206,396 | - | 237,019 | - | 2,982,715 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | |
| Purchases of Property, Plant, and Equipment | (117,687) | (78,346) | (88,432) | (3,156) | (8,542) | - | (182,627) | - | (478,790) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | |
| Proceeds from Notes Payable | (53,195) | - | (19,998) | - | - | - | - | - | (73,193) |
| Repayments of Notes/Bonds Payable | - | - | - | - | (145,000) | - | (125,000) | - | (270,000) |
| Bond Issuance Costs | - | - | - | - | 8,542 | - | 9,642 | - | 18,184 |
| Bond Discount/Premium | - | - | - | - | 7,067 | - | (50,269) | - | (43,202) |
| Net Cash Used by Financing Activities | (53,195) | - | (19,998) | - | (129,391) | - | (165,627) | - | (368,211) |
| NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | | | | | | | | | |
| | 808,148 | 905,788 | 92,591 | 371,959 | 68,463 | - | (111,235) | - | 2,135,714 |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | 1,937,160 | 1,063,645 | 82,441 | 14,762 | 1,091,849 | - | 2,980,709 | - | 7,170,566 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR | | | | | | | | | |
| | \$ 2,745,308 | \$ 1,969,433 | \$ 175,032 | \$ 386,721 | \$ 1,160,312 | \$ - | \$ 2,869,474 | \$ - | \$ 9,306,280 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | | | | | | |
| Cash Paid for Interest | \$ 15,460 | \$ - | \$ 1,550 | \$ - | \$ 724,027 | \$ - | \$ 1,063,873 | \$ - | \$ 1,804,910 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES | | | | | | | | | |
| Forgiveness of Notes Payable | \$ 1,030,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,030,000 |
| RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH REPORTED WITHIN THE STATEMENT OF FINANCIAL POSITION | | | | | | | | | |
| Cash and Cash Equivalents | \$ 2,745,308 | \$ 1,969,433 | \$ 175,032 | \$ 386,721 | \$ 90,823 | \$ - | \$ 259,613 | \$ - | \$ 5,626,930 |
| Restricted Cash and Cash Equivalents | - | - | - | - | 1,069,489 | - | 2,609,861 | - | 3,679,350 |
| Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statement of Financial Position | \$ 2,745,308 | \$ 1,969,433 | \$ 175,032 | \$ 386,721 | \$ 1,160,312 | \$ - | \$ 2,869,474 | \$ - | \$ 9,306,280 |

See accompanying Notes to Supplementary Information.

TEACH, INC.
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

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

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

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

NOTE 3 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization under programs of the federal governmental for the year ended June 30, 2020. The information in the Schedule is presented on the accrual basis of accounting in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, change in net assets, or cash flows of the Organization.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 4 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 5 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, 2021, 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 January 26, 2022.

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.

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
January 26, 2022



**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

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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
January 26, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Teach, Inc.
Los Angeles, California

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

Management's Responsibility

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

Auditors' Responsibility

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

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> |
|---|-----------------------------|
| Local Education Agencies: | |
| Attendance and Distance Learning | Yes |
| Instructional Time | Yes |
| School Districts, County Offices of Education, and Charter Schools: | |
| California Clean Energy Jobs Act | Not applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |



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

¹ We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

Opinion on State Compliance

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, 2021.

Purpose of this Report

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



CliftonLarsonAllen LLP

Glendora, California
January 26, 2022

TEACH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ 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

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|-------------------------------------|---|
| 21.019 | Coronavirus Relief 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, 2021

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

| <u>Five Digit Code</u> | <u>Finding Types</u> |
|------------------------|-----------------------------------|
| 10000 | Attendance |
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |
| 40000 | State Compliance |
| 42000 | Charter School Facilities Program |
| 43000 | Apprenticeship |
| 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).

TEACH, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

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

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