

TEACH, INC.
**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2018

OPERATING:
TEACH Academy of Technologies
TEACH Tech Charter High School

**TEACH, INC.
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YEAR ENDED JUNE 30, 2018**

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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, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, 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.

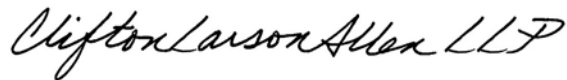
Other Matters

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 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 December 15, 2018 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
December 15, 2018

TEACH, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,024,175
Accounts Receivable - Federal and State	876,530
Accounts Receivable - Other	80,180
Prepaid Expenses and Other Assets	188,248
Total Current Assets	2,169,133

LONG-TERM ASSETS

Restricted Cash	863,519
Property, Plant, and Equipment, Net	11,640,644
Total Long-Term Assets	12,504,163

Total Assets	\$ 14,673,296
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 360,982
Deferred Revenue	13,987
Deferred Rent Liability, Current Portion	31,612
Interest Payable	59,936
Notes/Bonds Payable, Current Portion	30,000
Total Current Liabilities	496,517

LONG-TERM LIABILITIES

Deferred Rent Liability	387,649
Notes/Bonds Payable	11,998,636
Total Long-Term Liabilities	12,386,285

NET ASSETS

Unrestricted	1,790,494
Total Net Assets	1,790,494

Total Liabilities and Net Assets	\$ 14,673,296
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See accompanying Notes to Consolidated Financial Statements.

TEACH, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

REVENUES, UNRESTRICTED

State Revenue:	
State Aid	\$ 4,758,565
Other State Revenue	1,511,692
Federal Revenue:	
Grants and Entitlements	908,633
Local Revenue:	
In-Lieu Property Tax Revenue	1,430,326
Contributions	631
Other Revenue	191,717
Total Revenues	<u>8,801,564</u>

EXPENSES

Program Services	6,764,143
Management and General	2,336,563
Fundraising and Development	17,199
Total Expense	<u>9,117,905</u>

CHANGE IN UNRESTRICTED NET ASSETS

(316,341)

Unrestricted Net Assets - Beginning of Year

2,106,835

UNRESTRICTED NET ASSETS - END OF YEAR

\$ 1,790,494

See accompanying Notes to Consolidated Financial Statements.

TEACH, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (316,341)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	364,852
Amortization of debt issuance cost	15,472
(Increase) Decrease in Assets:	
Accounts Receivable - Federal and State	(188,040)
Accounts Receivable - Other	(71,339)
Prepaid Expenses and Other Assets	(44,051)
Deferred Rent Asset	(191,426)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Liabilities	125,956
Deferred Rent Liability	532,035
Deferred Revenue	(56,040)
Net Cash Provided by Operating Activities	171,078

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property, Plant, and Equipment	(1,141,264)
Net Cash Used by Investing Activities	(1,141,264)

NET CHANGE IN CASH AND CASH EQUIVALENTS

(970,186)

Cash and Cash Equivalents - Beginning of Year

1,994,361

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,024,175

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest

\$ 734,294

See accompanying Notes to Consolidated Financial Statements.

TEACH, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 2,850,599	\$ 365,880	\$ -	\$ 3,216,479
Pension Expense	342,800	34,532	-	377,332
Other Employee Benefits	305,931	39,403	-	345,334
Payroll Taxes	116,408	29,890	-	146,298
Management Fees	19,142	1,370,980	-	1,390,122
Legal Expenses	-	24,132	-	24,132
Accounting Expenses	4,040	8,120	-	12,160
Instructional Materials	851,495	-	-	851,495
Other Fees for Services	473,916	230,760	3,551	708,227
Advertising and Promotion Expenses	15,321	-	-	15,321
Office Expenses	161,262	134,450	-	295,712
Printing and Postage Expenses	2,561	12,037	-	14,598
Occupancy Expenses	1,824,777	231,139	-	2,055,916
Travel Expenses	30,160	-	-	30,160
Interest Expense	646,244	88,050	-	734,294
Depreciation Expense	305,088	59,764	-	364,852
Insurance Expense	37,679	5,479	-	43,158
Other Expenses	18,335	12,351	13,648	44,334
Total Expenses by Function	<u>8,005,758</u>	<u>2,646,967</u>	<u>17,199</u>	<u>10,669,924</u>
Eliminations	<u>(1,241,615)</u>	<u>(310,404)</u>	<u>-</u>	<u>(1,552,019)</u>
Total Expenses After Eliminations	<u>\$ 6,764,143</u>	<u>\$ 2,336,563</u>	<u>\$ 17,199</u>	<u>\$ 9,117,905</u>

See accompanying Notes to Consolidated Financial Statements.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

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, 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.

The Organization currently serves approximately 595 students in 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. 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.

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.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the Organization are defined as:

Unrestricted

All resources over which the governing board has discretionary control to use in carrying on the general operations of the Organization.

Temporarily Restricted

These net assets are restricted by donors to be used for specific purposes. The Organization does not have temporarily restricted net assets at June 30, 2018.

Permanently Restricted

These net assets are permanently restricted by donors and cannot be used by the Organization. The Organization does not have permanently restricted net assets at June 30, 2018.

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, 2018. 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 3 to 35 years.

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.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Amounts received from the California Department of Education are 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 unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. 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 are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Compensated Absences

The Organization does not allow employees to carryover unused vacation. Accordingly, there were no accumulated absence benefits at June 30, 2018.

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 informational returns in the U.S. federal jurisdiction, and the state of California.

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through December 15, 2018, the date these consolidated financial statements were available to be issued.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 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). 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 3 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 \$364,852 as of June 30, 2018.

The components of property, plant, and equipment as of June 30, 2018 are as follows:

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Public Schools, Inc.	Cunningham and Morris, LLC	Total
Construction in Progress	\$ 620,287	\$ -	\$ -	\$ -	\$ 620,287
Land	-	-	-	3,280,111	3,280,111
Buildings	-	-	-	7,678,269	7,678,269
Leasehold Improvements	303,557	17,830	62,881	-	384,268
Furniture, Fixtures, and Equipment	154,222	79,713	18,097	-	252,032
Total Property, Plant, and Equipment	1,078,066	97,543	80,978	10,958,380	12,214,967
Less: Accumulated Depreciation	(81,456)	(37,823)	(13,258)	(441,786)	(574,323)
Property, Plant, and Equipment, Net	<u>\$ 996,610</u>	<u>\$ 59,720</u>	<u>\$ 67,720</u>	<u>\$ 10,516,594</u>	<u>\$ 11,640,644</u>

NOTE 4 LINE OF CREDIT

The Organization has a revolving line of credit with Pacific Western Bank for \$350,000 with an interest rate of the lenders base rate index plus 1.5%. The line of credit expires July 13, 2018. There was no outstanding balance as of June 30, 2018.

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

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%.

The LLC 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 \$224,220 and net of issue costs of \$277,144. The discount 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.

Future maturities of bonds payable are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 30,000
2020	135,000
2021	145,000
2022	150,000
2023	160,000
Thereafter	<u>11,910,000</u>
Total Future Maturities	12,530,000
Bond Issue Costs	(277,144)
Bond Discount	(224,220)
Total Bond Payable	<u><u>\$ 12,028,636</u></u>

NOTE 6 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, 2018

NOTE 7 EMPLOYEE RETIREMENT

Multi-Employer Defined Benefit Pension Plans

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

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

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing 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, 2017, total plan net assets are \$210 billion, the total actuarial present value of accumulated plan benefits is \$362 billion, contributions from all employers totaled \$4.2 billion, and the plan is 62.6% funded. The School 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 9.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for the year ended June 30, 2018 was 14.43% of annual payroll. 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, 2018

NOTE 7 EMPLOYEE RETIREMENT (CONTINUED)

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>
2016	\$ 151,033	100 %
2017	\$ 248,478	100 %
2018	\$ 327,072	100 %

Public Employees' Retirement System (PERS)

Plan Description

The Organization contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer 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, 2017, the School Employer Pool total plan assets are \$63.6 billion, the total pension liability is \$84.9 billion, contributions from all employers totaled \$1.8 billion, and the plan is 71.9% 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 brought into PERS membership prior to January 1, 2013 are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.5% 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, 2017 was 15.531%. 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>
2016	\$ 23,609	100 %
2017	\$ 11,472	100 %
2018	\$ 50,260	100 %

TEACH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 OPERATING LEASES

In January 2018, the Organization entered into a lease agreement for the High School campus, which expires in December 2037. The monthly rent for the year ended June 30, 2018 was \$67,707.

In July 2017, the Organization entered into a lease agreement for facilities, which expires in June 2020. The monthly rent for the year ended June 30, 2018 was \$8,461.

In November 2016, the Organization leased facilities from its related party, Cunningham & Morris LLC, which expires in June 2052.

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, 2018 totaled \$877,920 and \$458,659.

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>External</u>	<u>Related Party</u>	<u>Total</u>
2019	\$ 960,387	\$ 784,777	\$ 1,745,164
2020	999,108	879,811	1,878,919
2021	574,858	882,217	1,457,075
2022	901,104	872,972	1,774,076
2023	928,137	870,943	1,799,080
Thereafter	17,046,506	25,117,706	42,164,212
Total	<u>\$ 21,410,100</u>	<u>\$ 29,408,426</u>	<u>\$ 50,818,526</u>

NOTE 9 CONTINGENCIES

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.

NOTE 10 SUBSEQUENT EVENT

In 2018 the Organization was approved for a third charter for TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary. The elementary school will include grades from transitional kindergarten to fourth and is planned to start in August 2018.

SUPPLEMENTARY INFORMATION

**TEACH, INC.
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (CONTINUED)
YEAR ENDED JUNE 30, 2018**

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.

The Board of Directors and the Administrator as of June 30, 2018 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (2 year term)</u>
Lori Butler	Chairman	February 2020
Andrea Mack	Secretary	February 2020
Justin Shahbaz	Member	September 2020
Earl Turner	Member	June 2019
Kelvin Piazza	Member	May 2020

ADMINISTRATOR

Raul Carranza	Superintendent
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TEACH, INC.
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

	Instructional Minutes		Traditional Instructional Days	Status
	Requirement	Actual		
TEACH Academy of Technologies:				
Grade 5	54,000	70,930	190	In compliance
Grade 6	54,000	70,930	190	In compliance
Grade 7	54,000	71,125	190	In compliance
Grade 8	54,000	71,125	190	In compliance
TEACH Academy of Technologies:				
Grade 9	64,800	71,685	190	In compliance
Grade 10	64,800	71,685	190	In compliance
Grade 11	64,800	71,685	190	In compliance
Grade 12	64,800	71,685	190	In compliance

See Independent Auditors' Report and accompanying Notes to Supplementary Information

TEACH, INC.
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
TEACH Academy of Technologies:				
ACE Empower Academy:				
Grades 5-6	145.19	145.19	144.55	144.55
Grades 7-8	188.09	188.09	186.98	186.98
ADA Totals	333.28	333.28	331.53	331.53
TEACH Academy of Technologies:				
ACE Charter High:				
Grades 9-12	259.54	259.54	257.88	257.88
ADA Totals	259.54	259.54	257.88	257.88
ADA Totals	592.82	592.82	589.41	589.41

See Independent Auditors' Report and accompanying Notes to Supplementary Information

TEACH, INC.
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	<u>TEACH Academy of Technologies</u>	<u>TEACH Tech Charter High School</u>
June 30, 2018 Annual Financial Report Fund Balances (Net Assets)	\$ 1,959,876	\$ (13,746)
Adjustments and Reclassifications:		
Increase (Decrease) of Fund Balance (Net Assets):		
Cash and Cash Equivalents	-	(27,268)
Accounts Payable and Accrued Liabilities	<u>54,846</u>	<u>27,268</u>
Net Adjustments and Reclassifications	<u>109,692</u>	<u>-</u>
June 30, 2018 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 2,069,568</u>	<u>\$ (13,746)</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

TEACH, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	TEACH Academy of Technologies	TEACH Tech Charter High School	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	\$ 153,008	\$ 99,497	\$ 252,505
Title II, Part A, Teacher Quality	84.367	14341	16,468	11,289	27,757
Special Education - IDEA	84.027	13379	64,830	50,486	115,316
<i>Total U.S. Department of Education</i>			<u>234,306</u>	<u>161,272</u>	<u>395,578</u>
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	103,519	78,376	181,895
National School Lunch Program	10.555	N/A	174,032	141,332	315,364
Meal Supplements	10.557	N/A	15,796	-	15,796
Child Nutrition Cluster Subtotal			<u>293,347</u>	<u>219,708</u>	<u>513,055</u>
<i>Total U.S. Department of Agriculture</i>			<u>293,347</u>	<u>219,708</u>	<u>513,055</u>
Total Federal Expenditures			<u>\$ 527,653</u>	<u>\$ 380,980</u>	<u>\$ 908,633</u>

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

TEACH, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Public Schools, Inc.	Cunningham and Morris, LLC	Eliminations	Consolidating Total
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 697,651	\$ (27,268)	\$ 28,837	\$ 324,955	\$ -	\$ 1,024,175
Accounts Receivable - Federal and State	459,828	416,702	-	-	-	876,530
Accounts Receivable - Other	35,660	-	44,520	-	-	80,180
Intercompany Receivables	160,501	-	-	-	(160,501)	-
Prepaid Expenses and Other Assets	15,542	155,204	17,502	-	-	188,248
Total Current Assets	<u>1,369,182</u>	<u>544,638</u>	<u>90,859</u>	<u>324,955</u>	<u>(160,501)</u>	<u>2,169,133</u>
LONG-TERM ASSETS						
Restricted Cash and Cash Equivalents	-	-	-	863,519	-	863,519
Deferred Rent Asset	-	-	-	191,426	(191,426)	-
Property, Plant, and Equipment, Net	996,610	59,720	67,720	10,516,594	-	11,640,644
Total Long-Term Assets	<u>996,610</u>	<u>59,720</u>	<u>67,720</u>	<u>11,571,539</u>	<u>(191,426)</u>	<u>12,504,163</u>
Total Assets	<u>\$ 2,365,792</u>	<u>\$ 604,358</u>	<u>\$ 158,579</u>	<u>\$ 11,896,494</u>	<u>\$ (351,927)</u>	<u>\$ 14,673,296</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 214,490	\$ 59,113	\$ 82,379	\$ 5,000	\$ -	\$ 360,982
Intercompany Payables	-	157,355	3,146	-	(160,501)	-
Deferred Revenue	-	13,987	-	-	-	13,987
Deferred Rent Liability, Current Portion	-	-	31,612	-	-	31,612
Interest Payable	-	-	-	59,936	-	59,936
Notes/Bonds Payable, Current Portion	-	-	-	30,000	-	30,000
Total Current Liabilities	<u>214,490</u>	<u>230,455</u>	<u>117,137</u>	<u>94,936</u>	<u>(160,501)</u>	<u>496,517</u>
LONG-TERM LIABILITIES						
Deferred Rent Liability	191,426	387,649	-	-	(191,426)	387,649
Notes/Bonds Payable	-	-	-	11,998,636	-	11,998,636
Total Long-Term Liabilities	<u>191,426</u>	<u>387,649</u>	<u>-</u>	<u>11,998,636</u>	<u>(191,426)</u>	<u>12,386,285</u>
NET ASSETS						
Unrestricted	1,959,876	(13,746)	41,442	(197,078)	-	1,790,494
Total Net Assets	<u>1,959,876</u>	<u>(13,746)</u>	<u>41,442</u>	<u>(197,078)</u>	<u>-</u>	<u>1,790,494</u>
Total Liabilities and Net Assets	<u>\$ 2,365,792</u>	<u>\$ 604,358</u>	<u>\$ 158,579</u>	<u>\$ 11,896,494</u>	<u>\$ (351,927)</u>	<u>\$ 14,673,296</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

TEACH, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Public Schools, Inc.	Cunningham and Morris, LLC	Eliminations	Consolidating Total
REVENUES						
State Revenue:						
State Aid	\$ 2,392,044	\$ 2,366,521	\$ -	\$ -	\$ -	\$ 4,758,565
Other State Revenue	984,953	526,739	-	-	-	1,511,692
Federal Revenue:						
Grants and Entitlements	527,653	380,980	-	-	-	908,633
Local Revenue:						
In-Lieu Property Tax Revenue	804,121	626,205	-	-	-	1,430,326
Contributions	631	-	-	-	-	631
Other Revenue	-	15,155	788,184	940,397	(1,552,019)	191,717
Total Revenues	<u>4,709,402</u>	<u>3,915,600</u>	<u>788,184</u>	<u>940,397</u>	<u>(1,552,019)</u>	<u>8,801,564</u>
EXPENSES						
Program Services	3,241,220	3,027,248	833,719	903,571	(1,241,615)	6,764,143
Management and General	1,256,395	1,089,893	155,282	145,397	(310,404)	2,336,563
Fundraising and Development	3,551	99	13,549	-	-	17,199
Total Expense	<u>4,501,166</u>	<u>4,117,240</u>	<u>1,002,550</u>	<u>1,048,968</u>	<u>(1,552,019)</u>	<u>9,117,905</u>
CHANGE IN UNRESTRICTED NET ASSETS						
	208,236	(201,640)	(214,366)	(108,571)	-	(316,341)
Unrestricted Net Assets - Beginning of Year	<u>1,751,640</u>	<u>187,894</u>	<u>255,808</u>	<u>(88,507)</u>	<u>-</u>	<u>2,106,835</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 1,959,876</u>	<u>\$ (13,746)</u>	<u>\$ 41,442</u>	<u>\$ (197,078)</u>	<u>\$ -</u>	<u>\$ 1,790,494</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

TEACH, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Public Schools, Inc.	Cunningham and Morris, LLC	Eliminations	2018 Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in Net Assets	\$ 208,236	\$ (201,640)	\$ (214,366)	\$ (108,571)	\$ -	\$ (316,341)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:						
Depreciation	44,438	19,374	8,652	292,388	-	364,852
Amortization	-	-	-	15,472	-	15,472
(Increase) Decrease in Assets:						
Accounts Receivable - Federal and State	(106,997)	(81,043)	-	-	-	(188,040)
Accounts Receivable - Other	(32,510)	-	(38,829)	-	-	(71,339)
Intercompany Receivables	(62,039)	-	77,005	-	(14,966)	-
Prepaid Expenses and Other Assets	9,250	(126,845)	(5,108)	78,652	-	(44,051)
Deferred Rent Asset	-	-	-	(191,426)	-	(191,426)
Increase (Decrease) in Liabilities:						
Accounts Payable and Accrued Liabilities	103,465	(7,714)	25,205	5,000	-	125,956
Intercompany Payables	-	(18,112)	3,146	-	14,966	-
Deferred Rent Liability	112,774	387,649	31,612	-	-	532,035
Deferred Revenue	(55,390)	(650)	-	-	-	(56,040)
Net Cash Provided (Used) by Operating Activities	221,227	(28,981)	(112,683)	91,515	-	171,078
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of Property, Plant, and Equipment	(833,715)	(21,332)	(24,978)	(261,239)	-	(1,141,264)
Net Cash Used by Investing Activities	(833,715)	(21,332)	(24,978)	(261,239)	-	(1,141,264)
NET CHANGE IN CASH AND CASH EQUIVALENTS						
	(612,488)	(50,313)	(137,661)	(169,724)	-	(970,186)
Cash and Cash Equivalents - Beginning of Year	1,310,139	23,045	166,498	494,679	-	1,994,361
CASH AND CASH EQUIVALENTS - END OF YEAR						
	<u>\$ 697,651</u>	<u>\$ (27,268)</u>	<u>\$ 28,837</u>	<u>\$ 324,955</u>	<u>\$ -</u>	<u>\$ 1,024,175</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734,294</u>	<u>\$ -</u>	<u>\$ 734,294</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

TEACH, INC.
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

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 the Organization. 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 FINANCIAL STATEMENTS

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

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal governmental for the year ended June 30, 2018. 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 School, it is not intended to and does not present the financial position, change in net assets, or cash flows of the School.

NOTE 5 INDIRECT COST RATE

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

NOTE 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, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated December 15, 2018.

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) to determine the 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.

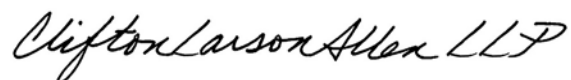
Board of Directors
Teach, Inc.

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 determination of financial statement amounts. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CliftonLarsonAllen LLP

Glendora, California
December 15, 2018



**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, 2018. 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, 2018.

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
December 15, 2018

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 *2017-2018 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, 2018. 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 *2017-2018 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>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
Before and After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

Board of Directors
Teach, Inc.

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
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, 2018.

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 *2016-2017 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
December 15, 2018

TEACH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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

CFDA Number(s)

10.553, 10.555

Name of Federal Program or Cluster

Child Nutrition Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

TEACH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

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
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, 2018

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