

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2016**

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pazlo Education Foundation
dba Academic Performance Excellence Academy
Los Angeles, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Pazlo Education Foundation dba Academic Performance Excellence Academy (the Academy), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Board of Directors
Pazlo Education Foundation
dba Academic Performance Excellence Academy
Los Angeles, CA

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the Academy as of June 30, 2016, 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.

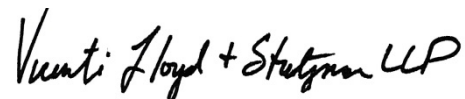
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Academy's financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2016 on our consideration of the Academy'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 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 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 Academy's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 13, 2016

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**STATEMENT OF FINANCIAL POSITION
June 30, 2016**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 422,168
Accounts receivable - federal and state	439,631
Prepaid expenses and other assets	<u>47,595</u>
Total current assets	<u>909,394</u>

LONG-TERM ASSETS:

Property, plant and equipment, net	<u>32,355</u>
Total long-term assets	<u>32,355</u>
Total assets	<u><u>\$ 941,749</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	<u>\$ 257,362</u>
Total current liabilities	<u>257,362</u>

NET ASSETS:

Unrestricted	<u>684,387</u>
Total net assets	<u>684,387</u>
Total liabilities and net assets	<u><u>\$ 941,749</u></u>

The accompanying notes are an integral part of these financial statements.

PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

REVENUES:

State revenue:	
State aid	\$ 3,158,489
Other state revenue	555,564
Federal revenue:	
Grants and entitlements	506,170
Local revenue:	
In-lieu property tax revenue	743,222
Contributions	18,476
Other revenue	76,333
Net assets released from restriction	<u>107,797</u>
Total unrestricted revenues and amounts released from restriction	<u>5,166,051</u>

EXPENSES:

Program services	3,997,853
Management and general	<u>635,788</u>
Total expenses	<u>4,633,641</u>
Change in unrestricted net assets	<u>532,410</u>

TEMPORARILY RESTRICTED:

Net assets released from restriction	<u>(107,797)</u>
Change in temporarily restricted net assets	<u>(107,797)</u>
Total change in net assets	424,613
Beginning net assets	<u>259,774</u>
Ending net assets	<u><u>\$ 684,387</u></u>

The accompanying notes are an integral part of these financial statements.

PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

CASH FLOWS from OPERATING ACTIVITIES:

Change in net assets	\$ 424,613
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	8,521
Change in operating assets:	
Accounts receivable - federal and state	61,414
Prepaid expenses and other assets	(15,263)
Change in operating liabilities:	
Accounts payable and accrued liabilities	<u>(146,971)</u>
Net cash flows from operating activities	<u>332,314</u>

CASH FLOWS from INVESTING ACTIVITIES:

Purchases of property, plant and equipment	<u>(15,153)</u>
Net cash flows from investing activities	<u>(15,153)</u>

CASH FLOWS from FINANCING ACTIVITIES:

Payments for factored receivables	<u>(191,200)</u>
Net cash flows from financing activities	<u>(191,200)</u>

Net change in cash and cash equivalents	125,961
Cash and cash equivalents at the beginning of the year	<u>296,207</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 422,168</u></u>

The accompanying notes are an integral part of these financial statements.

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016**

	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 2,258,828	\$ 144,180	\$ 2,403,008
Pension expense	196,682	4,014	200,696
Other employee benefits	514,954	32,869	547,823
Payroll taxes	78,759	7,789	86,548
Management fees	-	238,956	238,956
Accounting expenses	-	126,548	126,548
Other fees for services	227,555	-	227,555
Office expenses	47,812	53,915	101,727
Occupancy expenses	346,760	-	346,760
Travel expenses	15,267	-	15,267
Depreciation expense	8,521	-	8,521
Insurance expense	-	27,517	27,517
Other expenses	245,680	-	245,680
Instructional materials	57,035	-	57,035
	<u>\$ 3,997,853</u>	<u>\$ 635,788</u>	<u>\$ 4,633,641</u>

The accompanying notes are an integral part of these financial statements

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – The Academy is a not-for-profit benefit corporation under the laws of the State of California for the purpose of managing and operating public charter schools located in Los Angeles. The Academy is economically dependent on state and federal funding.

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

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

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

Functional Allocation of Expenses – Costs of providing the Academy’s programs and other activities have been presented in the statement of functional expenses. Costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Basis of Presentation – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

Net Asset Classes – The Academy 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 Academy are defined as:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the Academy.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the Academy. The Academy does not currently have any permanently restricted net assets.

Receivables – Accounts receivable represent amounts due from federal and state governments as of June 30, 2016. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

Compensated Absences – The Academy does not allow employees to carryover unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2016.

Revenue Recognition – Amounts received from the California Department of Education (CDE) are recognized as revenue by the Academy 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 promises to give. 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 market 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.

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 Academy 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.

Income Taxes – The Academy is a non-profit 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 Academy files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Evaluation of Subsequent Events – The Academy has evaluated subsequent events through December 13, 2016, the date these financial statements were available to be issued.

PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2: CONCENTRATION OF CREDIT RISK

The Academy maintains cash balances held in banks and 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 Academy 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 financial statements is presented net of accumulated depreciation. The Academy capitalizes all expenditures for land, buildings and equipment in excess of \$1,000. Depreciation expense was \$8,521 for the year ended June 30, 2016.

The components of property, plant and equipment as of June 30, 2015 are as follows:

Equipment	\$ 53,469
Less: accumulated depreciation	(21,114)
Property, plant and equipment, net	<u>\$ 32,355</u>

NOTE 4: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plans

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

The risks of participating in this multiemployer defined benefit pension plan 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 detailed in Teachers' Retirement Law, and (c) if the Academy chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The Academy has no plans to withdraw from this multiemployer plan.

State Teachers' Retirement System (STRS)

Plan Description

The Academy contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor

PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4: EMPLOYEE RETIREMENT

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, 2015, total STRS plan net assets are \$181 billion, the total actuarial present value of accumulated plan benefits is \$242 billion, contributions from all employers totaled \$2.55 billion, and the plan is 68.5% funded. The Academy did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members hired before December 31, 2012 are required to contribute 9.20% of their salary and those hired after are required to contribute 8.56% of their salary. The Academy 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 year ended June 30, 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2014	\$ 124,606	100%
2015	\$ 157,797	100%
2016	\$ 197,639	100%

Defined Contribution Plan

The Academy offers an Internal Revenue Code Section 401(k) retirement plan to each of its qualifying employees. Employer and employee contributions are used to purchase annuity contracts for each participant employee. Employer matching contributions are made at the rate equal to 100 percent of the first three percent of elective deferrals for each employee who is eligible for employer contributions. Additionally, the employer may elect to make a discretionary contribution for each qualifying employee for each plan year. The amount of employer contributions used to purchase annuity contracts for the year ended June 30, 2016 was \$3,057.

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 5: FACILITIES AGREEMENT:

In April 2015, the School signed a facility use agreement with Los Angeles Unified School District (LAUSD) for use of property located at 1309 Wilton Ave., Hollywood, California. The agreement commenced in July 2015 and carries a term that coincides with the Academy's charter. The agreement does not require the Academy to pay a lease amount for the use of the property, but instead the Academy pays a Pro Rata Share Charge for the maintenance of the facility and other services. This Pro Rata Share Charge is negotiated annually and therefore cannot be determined for future years. The Pro Rata Share Charge paid to LAUSD for the Academy for the year ended June 30, 2016 was \$346,760.

NOTE 6: CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
For the Year Ended June 30, 2016**

Pazlo Education Foundation dba Academic Performance Excellence Academy (the Academy) a conversion charter school, was established in June 2012 by LAUSD and is a nonprofit public benefit organization organized under the Non-Profit Public Benefit School Law of the State of California.

Charter school number authorized by the State: 1459

The Board of Directors and the Administrators for the fiscal year ended June 30, 2016 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3 year term)</u>
John Berns	Co-Chairman	June 30, 2018
Gail Shaw-Hawkins	Board Chair	June 30, 2017
Deanna Whitestone	Secretary	June 30, 2017
James Kodani	Treasurer	June 30, 2018
Gloria Pineda	Member	June 30, 2017
Rodney Hargrove	Member	June 30, 2018
June Getz	Member	June 30, 2018

ADMINISTRATORS

Alfonso Paz	Co-Executive Director
Cesar Lopez	Co-Executive Director

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2016**

	Instructional Minutes		Instructional Days	Status
	Normal Requirement	Actual Minutes		
Grade 7	54,000	66,145	179	In compliance
Grade 8	54,000	66,145	179	In compliance
Grade 9	64,800	66,145	179	In compliance
Grade 10	64,800	66,145	179	In compliance
Grade 11	64,800	66,145	179	In compliance
Grade 12	64,800	66,145	179	In compliance

See independent auditor's report and the notes to the supplementary information.

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2016**

	Second Period Report		Annual Report	
	Classroom		Classroom	
	Based	Total	Based	Total
Grades 7-8	110.15	110.43	109.50	109.85
Grades 9-12	267.95	274.34	262.27	268.61
ADA Totals	378.10	384.77	371.77	378.46

See independent auditor's report and the notes to the supplementary information.

PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY

RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

June 30, 2016 Annual Financial Report	
Fund Balances (Net Assets)	\$ 747,855
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Accounts receivable - federal and state	(41,666)
Accounts payable and accrued liabilities	<u>(21,802)</u>
Net Adjustments and Reclassifications	<u>(63,468)</u>
June 30, 2016 Audited Financial Statement	
Fund Balances (Net Assets)	<u><u>\$ 684,387</u></u>

See independent auditor's report and the notes to the supplementary information.

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time

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

Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of Academy. 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.

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 financial statements.



**INDEPENDENT AUDITOR'S 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
Pazlo Education Foundation
dba Academic Performance Excellence Academy
Los Angeles, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pazlo Education Foundation dba Academic Performance Excellence Academy (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

**INDEPENDENT AUDITOR'S 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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 13, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
Pazlo Education Foundation
dba Academic Performance Excellence Academy
Los Angeles, CA

We have audited Pazlo Education Foundation's dba Academic Performance Excellence Academy (the Academy) compliance with the types of compliance requirements described in the *2015-2016 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, 2016. The Academy'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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Academy'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 *2015-2016 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 Academy'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 Academy's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the Academy'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	Not applicable
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<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
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Yes
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

Opinion on State Compliance

In our opinion, the Academy complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

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 *2015-2016 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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 13, 2016

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

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

FINANCIAL STATEMENT FINDINGS

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2016.

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2016.

**PAZLO EDUCATION FOUNDATION
dba ACADEMIC PERFORMANCE EXCELLENCE ACADEMY**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2015.

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2015.