



PAZLO EDUCATION FOUNDATION

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**

**A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOLS**

APEX Academy (Charter No. 1459)
Matrix for Success Academy (Charter No. 1961)

**PAZLO EDUCATION FOUNDATION
TABLE OF CONTENTS
JUNE 30, 2021**

FINANCIAL SECTION

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

SUPPLEMENTARY INFORMATION

LEA Organization Structure	15
Schedule of Expenditures of Federal Awards	16
Financial Statements by Charter	
Statement of Financial Position by Charter	17
Statement of Activities by Charter	18
Schedule of Instructional Time	19
Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements	20
Notes to the Supplementary Information	21

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	22
Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance	24
Report on State Compliance	26

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	28
Financial Statement Findings	29
Federal Award Findings and Questioned Costs	30
State Award Findings and Questioned Costs	31
Schedule of Prior Audit Findings	32

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
PazLo Education Foundation
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of PazLo Education Foundation (the "Organization") which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows 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 from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PazLo Education Foundation 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 financial statements as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 our report dated November 23, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Christy White, Inc.

San Diego, California
November 23, 2021

PAZLO EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 1,374,669
Accounts receivable	1,451,634
Prepaid expenses	<u>29,295</u>
Total current assets	<u>2,855,598</u>

Noncurrent assets

Deposits	15,000
Capital assets, net	<u>63,358</u>
Total noncurrent assets	<u>78,358</u>
Total Assets	<u>\$ 2,933,956</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 481,077
Deferred revenue	330,737
Loan payable	<u>100,002</u>
Total liabilities	<u>911,816</u>

Net assets

Without donor restrictions	<u>2,022,140</u>
Total net assets	<u>2,022,140</u>
Total Liabilities and Net Assets	<u>\$ 2,933,956</u>

The notes to the financial statements are an integral part of this statement.

**PAZLO EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 4,579,712
Federal revenues	1,658,644
Other state revenues	830,042
Total federal and state support and revenues	<u>7,068,398</u>
Local support and revenues	
Payments in lieu of property taxes	1,380,231
Other local revenues	7,302
Total local support and revenues	<u>1,387,533</u>
Total Support and Revenues	<u>8,455,931</u>
EXPENSES	
Program services	5,148,911
Management and general	1,420,755
Total Expenses	<u>6,569,666</u>
CHANGE IN NET ASSETS	1,886,265
Net Assets - Beginning	<u>135,875</u>
Net Assets - Ending	<u>\$ 2,022,140</u>

The notes to the financial statements are an integral part of this statement.

**PAZLO EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 2,621,489	\$ -	\$ 2,621,489
Non-certificated salaries	342,872	611,210	954,082
Pension plan contributions	698,940	-	698,940
Payroll taxes	112,173	57,009	169,182
Other employee benefits	523,395	112,067	635,462
Total personnel expenses	<u>4,298,869</u>	<u>780,286</u>	<u>5,079,155</u>
Non-personnel expenses			
Books and supplies	196,414	22,206	218,620
Insurance	-	76,961	76,961
Facilities	427,333	91,383	518,716
Professional services	54,768	287,899	342,667
Interest expense	-	2,712	2,712
Depreciation	25,179	-	25,179
Authorizing agency fees	137,391	66,028	203,419
Other operating expenses	8,957	93,280	102,237
Total non-personnel expenses	<u>850,042</u>	<u>640,469</u>	<u>1,490,511</u>
Total Expenses	<u>\$ 5,148,911</u>	<u>\$ 1,420,755</u>	<u>\$ 6,569,666</u>

The notes to the financial statements are an integral part of this statement.

**PAZLO EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,886,265
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	25,179
(Increase) decrease in operating assets	
Accounts receivable	(466,327)
Prepaid expenses	(4,753)
Increase (decrease) in operating liabilities	
Accounts payable	(134,802)
Deferred revenue	330,737
Net cash provided by (used in) operating activities	<u>1,636,299</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(30,091)</u>
Net cash provided by (used in) investing activities	<u>(30,091)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Forgiveness of Paycheck Protection Plan (PPP) loan	(860,331)
Principal payments on loan payable	<u>(49,998)</u>
Net cash provided by (used in) financing activities	<u>(910,329)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	695,879
Cash and cash equivalents - Beginning	<u>678,790</u>
Cash and cash equivalents - Ending	<u>\$ 1,374,669</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 2,712</u>

The notes to the financial statements are an integral part of this statement.

**PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

PazLo Education Foundation (the “Organization”) was formed as a nonprofit public benefit corporation on October 20, 2011 for the purpose of operating California public schools located in Los Angeles. The Organization works with vulnerable student populations throughout the Los Angeles area with a goal to increase college opportunities for their students. The Organization operates two public charter schools, referred to collectively as “the Charters.” Additional information on each school is as follows:

Apex Academy (California Charter No. 1459) is authorized to operate through the Los Angeles Unified School District (the “authorizing agency” or “LAUSD”). The current charter petition covers a five-year term expiring on June 30, 2022. APEX Academy is a conversion school that initially offered classes as an innovative small school under LAUSD in 2008 and was converted to an independent charter school in 2012. APEX Academy serves grades 7 to 12 through site-based instruction.

Matrix for Success Academy (California Charter No. 1961) is also authorized by the Los Angeles Unified School District. The current charter petition covers a five-year term expiring on June 30, 2023. Matrix for Success Academy was numbered by the State Board of Education as an independent start-up charter school in May 2018 with classes beginning in Fall 2018. Matrix for Success Academy serves grades 10 to 12 through nonclassroom-based instruction.

Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Organization’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, PazLo Education Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

The Organization also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is only used to the extent that internal accounting for multiple charter school operations is necessary and is not used for external financial statement presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to the Charters. Revenues are recognized by the Charters when earned.

G. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management’s estimates.

H. Cash and Cash Equivalents

PazLo Education Foundation considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

The Organization’s method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2021, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

PazLo Education Foundation has adopted a policy to capitalize asset purchases over \$1,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

M. Income Taxes

PazLo Education Foundation is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As an educational institution, the Organization is not required to register with the California Attorney General as a charity.

The Organization's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Organization's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. New Accounting Pronouncement

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Organization will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2021, consists of \$1,374,669 in cash in banks held in non-interest bearing accounts. As of June 30, 2021, \$1,127,312 of the PazLo Education Foundation’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks. Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. PazLo Education Foundation does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021, consists of the following:

Local control funding sources, state aid	\$	1,153,500
Federal sources		132,855
Other state sources		69,181
In lieu property tax payments		42,233
Other local sources		53,865
Total Accounts Receivable	\$	1,451,634

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2021 consists of the following:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Property and equipment				
Furniture and equipment	\$ 164,916	\$ 30,091	\$ -	\$ 195,007
Less accumulated depreciation	(106,470)	(25,179)	-	(131,649)
Capital Assets, net	\$ 58,446	\$ 4,912	\$ -	\$ 63,358

PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2021, consists of the following:

Due to grantor government	\$ 196,629
Due to authorizing agency	121,417
Compensated absences	64,115
Other salaries and benefits	508
Vendor payables	98,408
Total Accounts Payable	\$ 481,077

NOTE 6 – DEFERRED REVENUE

Deferred revenue as of June 30, 2021, consists of the following:

Federal sources	\$ 115,507
State sources	215,230
Total Deferred Revenue	\$ 330,737

NOTE 7 – LOAN PAYABLE

In September 2019, the Organization entered into a loan agreement to borrow \$150,000 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA). The loan was to assist with operations of Matrix for Success Academy. The loan is to be repaid over a three-year period ending January 2023. The revolving note bears an annualized interest rate equal to the “prime rate” of 1.976%. During the fiscal year ended June 30, 2021, the Organization made payments of \$52,710, which included \$49,998 of principal and \$2,712 of interest expense. As of June 30, 2021, the outstanding balance on the loan was \$100,002. Repayment obligations on the above referenced debt are as follows:

<u>Fiscal Year Ending June 30,</u>	
2022	\$ 51,769
2023	50,787
Total Payments	102,556
Less Interest	(2,554)
Total	\$ 100,002

NOTE 8 – PAYCHECK PROTECTION PROGRAM (PPP)

In April 2020, the Organization received a loan in the amount of \$860,331 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP, established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times their average monthly payroll expenses. Under the terms of the PPP, the full loan and any accrued interest may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization applied for forgiveness with the lender and received full forgiveness from the SBA. The amount of loan forgiveness is presented as a component of federal support and revenues on the statement of activities.

PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 9 – NET ASSETS

As of June 30, 2021, the Organization did not hold any net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Organization. At June 30, 2021, the Organization’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 63,358
Undesignated	1,958,782
Total Net Assets without Donor Restrictions	<u>\$ 2,022,140</u>

As part of the charter petitions with LAUSD, the Charters are to hold cash reserves equal to five percent of total expenditures or \$328,483 for the fiscal year ended June 30, 2021. It is management’s belief that this reserve is held within the undesignated amount of net assets without donor restrictions noted above.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 1,374,669
Accounts receivable, current portion	1,451,634
Prepaid expenses	29,295
Total Financial Assets, excluding noncurrent	<u>\$ 2,855,598</u>
Contractual or donor-imposed restrictions	
Reserves per charter petitions	<u>(328,483)</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 2,527,115</u>

NOTE 11 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charters have made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS). Non-certificated employees or those who do not qualify to participate in CalSTRS are offered social security as an alternative plan.

California State Teachers’ Retirement System (CalSTRS)

Plan Description

PazLo Education Foundation contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

**PAZLO EDUCATION FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 11 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2020-21 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2020-21 was 16.15% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization’s contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2020-21	\$ 410,632	100%
2019-20	\$ 464,303	100%
2018-19	\$ 433,812	100%

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for the Charters is estimated at \$283,538. The on-behalf payment amount is computed as the proportionate share of total 2019-20 State on-behalf contributions.

Defined Contribution Plan

The Organization offers a 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% of the first 3% 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, 2021 was \$4,770.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, the Charters operated by PazLo Education Foundation are approved to operate as a public charter school through authorization by the Los Angeles Unified School District. As such, the Charters are subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

Governmental Funds

PazLo Education Foundation 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Organization’s voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Organization’s proportionate share of the multiemployer plan’s unfunded vested liabilities. CalSTRS has estimated that the Organization’s share of withdrawal liability is approximately \$4,860,149 as of June 30, 2020. The Organization does not currently intend to withdraw from CalSTRS. Refer to Note 11 for additional information on employee retirement plans.

**PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Facility Use Agreement

PazLo Education Foundation holds a facility use agreement with Los Angeles Unified School District for the use of property located at 1309 Wilton Avenue in Hollywood, California. The facility is utilized by APEX Academy for classroom instruction. The Organization pays a pro rata share charge for the maintenance of the facility and other services in lieu of paying a set lease amount. The pro rata share charge is negotiated annually; therefore, the amount attributed to future years cannot be determined. The total facility usage fees paid by APEX Academy to the authorizing agency during the fiscal year ended June 30, 2021 was \$319,566.

Operating Lease

In August 2018, the Organization entered into a property lease agreement for a term ending July 31, 2020. In August 2020, the lease agreement was amended to extend the term by one year to July 31, 2021. The site, located at 1046 East 34th Street in Los Angeles, California, is utilized by Matrix for Success Academy. The total rent expense associated with this agreement amounted to \$180,000 for the fiscal year ended June 30, 2021. In March 2021, the lease agreement was extended by one year to July 31, 2022. Future minimum lease payments are \$15,000 per month for a total of \$180,000 for the fiscal year ending June 30, 2022.

NOTE 13 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to PazLo Education Foundation in an effort to advance the Organization's programs and objectives. These services have not been recorded in the Organization's financial statements because they do not meet the criteria required by generally accepted accounting principles.

NOTE 14 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Organization makes payments to the authorizing agency, Los Angeles Unified School District, to provide required services for special education in addition to fees for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$66,028 and total expenses for special education amounted to \$137,391 for the fiscal year ending June 30, 2021.

NOTE 15 – SUBSEQUENT EVENTS

PazLo Education Foundation has evaluated subsequent events for the period from June 30, 2021 through November 23, 2021, the date the financial statements were available to be issued.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the new term expiration dates to the charter petitions mentioned in Note 1A are June 30, 2024 for APEX Academy and June 30, 2025 for Matrix for Success Academy.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**PAZLO EDUCATION FOUNDATION
LEA ORGANIZATION STRUCTURE
JUNE 30, 2021**

PazLo Education Foundation, located in Los Angeles, was formed as a nonprofit public benefit corporation on October 20, 2011. The Organization operates two public charter schools: APEX Academy (Charter No. 1459) and Matrix for Success Academy (Charter No. 1961). Both charter schools are authorized by the Los Angeles Unified School District. During 2020-21, the Charters collectively served over 500 students in grades 7 to 12.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
June Getz	Co-Chair	June 30, 2022
Allison Hendrick	Co-Chair	June 30, 2022
Jody Molodow	Secretary	June 30, 2022
Mary Jane Wagle	Treasurer	June 30, 2023
Marla Mattenson	Member	June 30, 2023
Lynnette Jenkins	Member	June 30, 2023

ADMINISTRATION

Cesar Lopez
Executive Director

Alfonso Paz*
Co-Executive Director

**Mr. Paz resigned in June 2021*

**PAZLO EDUCATION FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 207,040
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	21,011
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	23,098
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	98,066
Total U. S. Department of Education			349,215
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	813
School Breakfast Program - Needy	10.553	13526	2,400
National School Lunch Program	10.555	13391	5,654
Total U. S. Department of Agriculture			8,867
U. S. DEPARTMENT OF THE TREASURY:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation [1]	21.019	25516	440,231
Total U. S. Department of the Treasury			440,231
Total Federal Expenditures			\$ 798,313

[1] - Major Program

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2021 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2021.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 1,658,644
SBA: Paycheck Protection Program (PPP)	59.073	(860,331)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		\$ 798,313

See accompanying notes to supplementary information.

PAZLO EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION BY CHARTER
JUNE 30, 2021

California Charter No.	1459	1961	Organization Total
	APEX Academy	Matrix for Success	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,131,710	\$ 242,959	\$ 1,374,669
Accounts receivable	1,218,553	233,081	1,451,634
Prepaid expenses	13,281	16,014	29,295
Total current assets	2,363,544	492,054	2,855,598
Noncurrent assets			
Deposits	-	15,000	15,000
Capital assets, net	45,235	18,123	63,358
Total noncurrent assets	45,235	33,123	78,358
Total Assets	\$ 2,408,779	\$ 525,177	\$ 2,933,956
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 308,475	\$ 172,602	\$ 481,077
Deferred revenue	242,650	88,087	330,737
Loan payable	-	100,002	100,002
Total liabilities	551,125	360,691	911,816
Net assets			
Without donor restrictions	1,857,654	164,486	2,022,140
Total net assets	1,857,654	164,486	2,022,140
Total Liabilities and Net Assets	\$ 2,408,779	\$ 525,177	\$ 2,933,956

See accompanying notes to supplementary information.

**PAZLO EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2021**

California Charter No.	1459	1961	Organization Total
	APEX Academy	Matrix for Success	
NET ASSETS WITHOUT DONOR RESTRICTIONS			
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 3,194,646	\$ 1,385,066	\$ 4,579,712
Federal revenues	1,345,959	312,685	1,658,644
Other state revenues	592,293	237,749	830,042
Total federal and state support and revenues	5,132,898	1,935,500	7,068,398
Local support and revenues			
Payments in lieu of property taxes	959,380	420,851	1,380,231
Other local revenues	11,533	(4,231)	7,302
Total local support and revenues	970,913	416,620	1,387,533
Total Support and Revenues	6,103,811	2,352,120	8,455,931
EXPENSES			
Program services	3,750,393	1,398,518	5,148,911
Management and general	913,584	507,171	1,420,755
Total Expenses	4,663,977	1,905,689	6,569,666
CHANGE IN NET ASSETS	1,439,834	446,431	1,886,265
Net Assets - Beginning	417,820	(281,945)	135,875
Net Assets - Ending	\$ 1,857,654	\$ 164,486	\$ 2,022,140

See accompanying notes to supplementary information.

**PAZLO EDUCATION FOUNDATION
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2021**

Charter School / Grade Span	2020-21 Number of Days	Status
APEX Academy (Charter No. 1459)		
Grades 7 through 8	180	Complied
Grades 9 through 12	180	Complied
Matrix for Success Academy (Charter No. 1961)		
Grades 9 through 12	180	Complied

See accompanying notes to supplementary information.

**PAZLO EDUCATION FOUNDATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021**

There were no adjustments to reconcile net position reported on the Annual Financial and Budget Report (Unaudited Actuals) within the Charter Schools Enterprise Fund to net assets per the audited financial statements for the year ended June 30, 2021 for the following charter schools:

APEX Academy (Charter No. 1459)
Matrix for Success Academy (Charter No. 1961)

See accompanying notes to supplementary information.

**PAZLO EDUCATION FOUNDATION
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

This schedule provides information about the local education agencies (LEAs or charter schools), including the Charters' authorizing agencies and grades served and the Organization's members of the governing body and administration.

B. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Organization has not elected to use the 10 percent de minimis indirect cost rate.

C. Financial Statements by Charter

The financial statements by charter, which include the statements of financial position and activities by charter, provide information supporting the amounts incorporated in PazLo Education Foundation's financial statements and reported within APEX Academy and Matrix for Success Academy.

D. Schedule of Instructional Time

This schedule presents information on the number of instructional days offered per grade level by the Organization's charter schools, and whether the charter schools complied with the provisions of *Education Code Section 47612*.

E. Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements

This schedule provides the information necessary to reconcile net position reported on the Annual Financial and Budget Report (Unaudited Actuals) within the Charter Schools Enterprise Fund for each charter school to net assets on the audited financial statements by charter school.

OTHER INDEPENDENT AUDITORS' REPORTS

**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**

Independent Auditors' Report

To the Board of Directors of
PazLo Education Foundation
Los Angeles, California

We have audited, 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, the financial statements of PazLo Education Foundation (the "Organization") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated November 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 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.

Christy White, Inc.

San Diego, California
November 23, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

To the Board of Directors of
PazLo Education Foundation
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited PazLo Education Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of PazLo Education Foundation's major federal programs for the year ended June 30, 2021. PazLo Education Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PazLo Education Foundation'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 PazLo Education Foundation'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 PazLo Education Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, PazLo Education Foundation 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 PazLo Education Foundation 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 PazLo Education Foundation'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 PazLo Education Foundation'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 in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Christy White, Inc.

San Diego, California
November 23, 2021

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

To the Board of Directors of
PazLo Education Foundation
Los Angeles, California

Report on State Compliance

We have audited PazLo Education Foundation's compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of PazLo Education Foundation's state programs for the fiscal year ended June 30, 2021, as identified below. Reference to PazLo Education Foundation within this letter is inclusive of APEX Academy (Charter No. 1459) and Matrix for Success Academy (Charter No. 1961).

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PazLo Education Foundation's state 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 the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards 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 the state programs noted below. An audit includes examining, on a test basis, evidence about PazLo Education Foundation'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 with the requirements referred to above. However, our audit does not provide a legal determination of PazLo Education Foundation's compliance with those requirements.

Opinion on State Compliance

In our opinion, PazLo Education Foundation complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the following table for the year ended June 30, 2021.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine PazLo Education Foundation’s compliance with the state laws and regulations applicable to the following:

Description	APEX Academy	Matrix for Success Academy
	Procedures Performed	
Local Education Agencies		
Attendance and Distance Learning	Yes	Not applicable
Teacher Certification and Misassignments	Not applicable	Not applicable
Kindergarten Continuance	Not applicable	Not applicable
Instructional Time	Yes	Not applicable
Instructional Materials	Not applicable	Not applicable
Ratio of Administrative Employees to Teachers	Not applicable	Not applicable
Classroom Teacher Salaries	Not applicable	Not applicable
Early Retirement Incentive	Not applicable	Not applicable
GANN Limit Calculation	Not applicable	Not applicable
School Accountability Report Card	Not applicable	Not applicable
K-3 Grade Span Adjustment	Not applicable	Not applicable
Apprenticeship: Related and Supplemental Instruction	Not applicable	Not applicable
Comprehensive School Safety Plan	Not applicable	Not applicable
District of Choice	Not applicable	Not applicable
School Districts, County Offices of Education and Charter Schools		
California Clean Energy Jobs Act	No	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes	Yes
Charter Schools		
Independent Study – Course Based	Not applicable	Not applicable
Attendance	Yes	Yes
Mode of Instruction	Yes	Not applicable
Nonclassroom-Based Instruction/Independent Study	Not applicable	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not applicable	Yes
Charter School Facility Grant Program	Not applicable	Not applicable

We did not perform testing of California Clean Energy Jobs Act for APEX Academy because funding has not been received nor expended for this program.

Christy White, Inc.

San Diego, California
November 23, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**PAZLO EDUCATION FOUNDATION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>None</u>

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	
<u>AL Number(s)</u> <u>Name of Federal Program or Cluster</u>	
21.019 <u>Coronavirus Relief Fund (CRF): Learning Loss Mitigation</u>	

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**PAZLO EDUCATION FOUNDATION
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no audit findings related to the financial statements during 2020-21.

**PAZLO EDUCATION FOUNDATION
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE
50000

AB 3627 FINDING TYPE
Federal Compliance

There were no audit findings and questioned costs related to federal awards during 2020-21.

**PAZLO EDUCATION FOUNDATION
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no audit findings and questioned costs related to state awards during 2020-21.

**PAZLO EDUCATION FOUNDATION
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no audit findings reported in the 2019-20 fiscal year.