



**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2023**

**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  
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JUNE 30, 2023**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of PazLo Education Foundation which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PazLo Education Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Change in Accounting Principle**

As discussed in Section O of Note 1 to the financial statements, in 2022-23 PazLo Education Foundation adopted new accounting guidance, ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management 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.

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

## **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PazLo Education Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PazLo Education Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the 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 December 14, 2023, on our consideration of PazLo Education Foundation'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 PazLo Education Foundation'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 PazLo Education Foundation's internal control over financial reporting and compliance.

*Christy White, Inc.*

San Diego, California  
December 14, 2023

**PAZLO EDUCATION FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**

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**ASSETS**

Current assets

Cash and cash equivalents	\$	3,175,993
Accounts receivable		1,360,517
Prepaid expenses		18,867
Total current assets		<u>4,555,377</u>

Noncurrent assets

Right-of-use asset		647,020
Deposits		15,000
Capital assets, net		72,021
Total noncurrent assets		<u>734,041</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>5,289,418</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities

Accounts payable	\$	991,189
Operating lease liability		647,279
Deferred revenue		627,932
Total liabilities		<u>2,266,400</u>

Net assets

Without donor restrictions		<u>3,023,018</u>
Total net assets		<u>3,023,018</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>5,289,418</u></b>

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, 2023**

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	<u>Without Donor Restrictions</u>
<b>SUPPORT AND REVENUES</b>	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 4,163,873
Federal revenues	1,019,856
Other state revenues	2,712,959
Total federal and state support and revenues	<u>7,896,688</u>
Local support and revenues	
Payments in lieu of property taxes	1,294,237
Other local revenues	30,486
Total local support and revenues	<u>1,324,723</u>
<b>Total Support and Revenues</b>	<u>9,221,411</u>
<b>EXPENSES</b>	
Program services	6,460,534
Management and general	2,267,198
<b>Total Expenses</b>	<u>8,727,732</u>
<b>CHANGE IN NET ASSETS</b>	493,679
<b>Net Assets - Beginning</b>	<u>2,529,339</u>
<b>Net Assets - Ending</b>	<u>\$ 3,023,018</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, 2023**

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<b>EXPENSES</b>	Program Services	Management and General	Total
Personnel expenses			
Certificated salaries	\$ 2,965,440	\$ -	\$ 2,965,440
Non-certificated salaries	561,870	910,166	1,472,036
Pension plan contributions	769,487	768	770,255
Payroll taxes	96,477	71,244	167,721
Other employee benefits	733,842	189,326	923,168
Total personnel expenses	<u>5,127,116</u>	<u>1,171,504</u>	<u>6,298,620</u>
Non-personnel expenses			
Books and supplies	402,178	57,999	460,177
Insurance	-	101,270	101,270
Facilities	321,865	378,446	700,311
Professional services	430,459	493,958	924,417
Interest expense	-	783	783
Depreciation	19,826	5,117	24,943
Authorizing agency fees	141,506	-	141,506
Other operating expenses	17,584	58,121	75,705
Total non-personnel expenses	<u>1,333,418</u>	<u>1,095,694</u>	<u>2,429,112</u>
<b>Total Expenses</b>	<u>\$ 6,460,534</u>	<u>\$ 2,267,198</u>	<u>\$ 8,727,732</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, 2023**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 493,679
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	24,943
Lease expense - amortization of right-of-use asset	259
(Increase) decrease in operating assets	
Accounts receivable	561,834
Prepaid expenses	52,041
Increase (decrease) in operating liabilities	
Accounts payable	294,147
Deferred revenue	166,837
<b>Net cash provided by (used in) operating activities</b>	<u>1,593,740</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of capital assets	<u>(53,198)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(53,198)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on loans payable	<u>(50,004)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>(50,004)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,490,538
<b>Cash and cash equivalents - Beginning</b>	<u>1,685,455</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 3,175,993</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Cash paid for interest	<u>\$ 783</u>

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

**PAZLO EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

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**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. Per AB 130, the new term end date is June 30, 2024. 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. Effective June 30, 2023, the Organization has voluntarily closed APEX Academy. Refer to Note 14 related to close out procedures.

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. Per AB 130, the new term end date is June 30, 2025. As a result of AB 130 and SB 114, the charter petition end date is extended to June 30, 2026. 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.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Financial Statement Presentation (continued)**

*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.

**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.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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, 2023, 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.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**O. Change in Accounting Principle**

**ASC 842 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.

Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Organization has determined the impact and has reflected the significant change from this accounting principle within its financial statements for the 2022-23 fiscal year. Refer to Note 6 for additional information regarding the operating lease and the related right-of-use asset and operating lease liability held by the Organization.

**PAZLO EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2023, consists of \$3,175,993 in cash in banks held in non-interest bearing accounts. As of June 30, 2023, \$3,061,418 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, 2023, consists of the following:

Local control funding sources, state aid	\$	874,267
Federal sources		139,692
Other state sources		185,104
In lieu property tax payments		72,377
Other local sources		89,077
<b>Total Accounts Receivable</b>	<b>\$</b>	<b><u>1,360,517</u></b>

**NOTE 4 – CAPITAL ASSETS**

A summary of activity related to capital assets during the year ended June 30, 2023 consists of the following:

	Balance		Balance	
	July 1, 2022	Additions	Disposals	June 30, 2023
Furniture and equipment	\$ 201,901	\$ 53,198	\$ -	\$ 255,099
Less accumulated depreciation	(158,135)	(24,943)	-	(183,078)
<b>Capital Assets, net</b>	<b>\$ 43,766</b>	<b>\$ 28,255</b>	<b>\$ -</b>	<b>\$ 72,021</b>

**NOTE 5 – ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2023, consists of the following:

Due to grantor government	\$	734,489
Vendor payables		101,609
Compensated absences		75,112
Salaries and benefits		70,616
Due to authorizing agency		9,363
<b>Total Accounts Payable</b>	<b>\$</b>	<b><u>991,189</u></b>

**PAZLO EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 6 – OPERATING LEASE**

In July 2022, the Organization entered into a property lease agreement for a term ending June 30, 2024. The site, located at 1046 East 34<sup>th</sup> Street in Los Angeles, California, is utilized by Matrix for Success Academy. In June 1, 2023, the Organization entered into a property lease agreement for a term ending June 30, 2026. The site, located at 975 S. Berendo St in Los Angeles, California, is utilized by APEX Academy. During the fiscal year ended June 30, 2023, the Organization paid \$184,950 in lease payments under this operating lease. At June 30, 2023, the right-of-use asset was \$647,020 and the operating lease liability was \$647,279.

The following table shows the present value of the operating lease liability as the actual lease payments less the implied discount rate and the right-of-use asset as the lease expense over the straight-line basis reduced by the implied discount rate. The Organization has accounted for its lease agreements using an implied discount rate of 2.83% and 2.87%. The associated asset and liability are amortized over the term of the lease as follows:

Fiscal Year Ending June 30,	(a) Lease Expense	(b) Lease Payments	(c) Discount 2.87%	(b) - (c) Operating Lease Liability	(a) - (c) Right-of-Use Asset
2024	\$ 343,122	\$ 340,008	\$ 13,458	\$ 326,550	\$ 329,664
2025	163,122	164,808	6,742	158,066	156,380
2026	163,122	164,809	2,146	162,663	160,976
<b>Total</b>	<b>\$ 669,366</b>	<b>\$ 669,625</b>	<b>\$ 22,346</b>	<b>\$ 647,279</b>	<b>\$ 647,020</b>

**NOTE 7 – DEFERRED REVENUE**

Deferred revenue as of June 30, 2023, consists of the following:

Federal sources	\$ 166,318
State sources	461,614
<b>Total Deferred Revenue</b>	<b>\$ 627,932</b>

**NOTE 8 – 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, 2023, the Organization made payments of \$50,004, which included \$49,221 of principal and \$783 of interest expense. As of June 30, 2023, there is no outstanding balance on the loan.

**PAZLO EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 9 – NET ASSETS**

As of June 30, 2023, 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, 2023, the Organization's net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 72,021
Undesignated	2,950,997
<b>Total Net Assets without Donor Restrictions</b>	<b><u>\$ 3,023,018</u></b>

As part of the charter petitions with LAUSD, the Charters are to hold cash reserves equal to five percent of total expenditures or \$390,818 for the fiscal year ended June 30, 2023. 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, 2023, 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	\$ 3,175,993
Accounts receivable	1,360,517
Prepaid expenses	18,867
Total Financial Assets, excluding noncurrent	<u>\$ 4,555,377</u>
Contractual or donor-imposed restrictions	
Reserves per charter petitions	(390,818)
Cash restricted by others for specific uses	<u>(627,932)</u>
<b>Financial Assets available to meet cash needs for expenditures within one year</b>	<b><u>\$ 3,536,627</u></b>

**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.



**PAZLO EDUCATION FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2023**

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**NOTE 11 – EMPLOYEE RETIREMENT PLANS (continued)**

**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.

**Funding Policy**

Active plan members are required to contribute 10.25% or 10.205% of their 2022-23 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2022-23 was 19.10% 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:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2022-23	\$ 516,944	100%
2021-22	\$ 441,138	100%
2020-21	\$ 410,632	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 \$249,569. The on-behalf payment amount is computed as the proportionate share of total 2021-22 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, 2023 was \$3,742.

**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.

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 term expiration dates was extended to June 30, 2025 for Matrix for Success Academy. Refer to Note 15 for information on an additional one-year extension.

**PAZLO EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2023**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)**

**Charter School Authorization (continued)**

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 \$54,582 and total expenses for special education amounted to \$86,924 for the fiscal year ending June 30, 2023.

**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 \$3,106,481 as of June 30, 2022. The Organization does not currently intend to withdraw from CalSTRS. Refer to Note 11 for additional information on employee retirement plans.

**Pending or Threatened Litigation**

The Organization is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Organization as of June 30, 2023.

**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 - CLOSE OUT PROCEDURES**

As mentioned in Note 1A, the Organization has opted to voluntarily close APEX Academy (Charter No. 1459) effective June 30, 2023. The Organization has informed the California Department of Education (CDE) and followed the charter school closure procedures. An accounting of all financial assets and liabilities as of the closure date is presented on the statement of financial position by charter in the supplementary information section. Because the Organization remains active and in existence following the school closure, all remaining net assets will remain with the Organization to further its exempt purpose.

**PAZLO EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2023**

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**NOTE 15 – SUBSEQUENT EVENTS**

PazLo Education Foundation has evaluated subsequent events for the period from June 30, 2023 through December 14, 2023, the date the financial statements were available to be issued.

On July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended California Education Code (EC) 47607.4. The EC was amended to add “all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year.” As a result, the charter petition end date is extended to June 30, 2025, for Apex Academy. As a result, the charter petition end date is extended to June 30, 2026 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.

As mentioned in Notes 1A and 14, APEX Academy (Charter No. 1459) will no longer be in operation.

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## **SUPPLEMENTARY INFORMATION**

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**PAZLO EDUCATION FOUNDATION  
LEA ORGANIZATION STRUCTURE  
JUNE 30, 2023**

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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 2022-23, the Charters collectively served over 451 students in grades 7 to 12.

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**BOARD OF DIRECTORS**

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<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
June Getz	Co-Chair	April 25, 2024
Jody Molodow	Secretary	July 25, 2025
Mary Jane Wagle	Treasurer	July 24, 2024
Marla Mattenson	Member	December 12, 2024
Lynnette Jenkins	Member	July 24, 2024
Jesse Johnson	Member	August 1, 2025

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**ADMINISTRATION**

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Cesar Lopez  
*Executive Director*

Margret Woelke  
*Executive Director*

See accompanying notes to supplementary information.

**PAZLO EDUCATION FOUNDATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 185,696
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	16,126
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	11,542
<b>COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants [1]:</b>			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	52
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	607,667
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	35,316
Subtotal Education Stabilization Fund Discretionary Grants			643,035
<i>Passed through Los Angeles Unified School District:</i>			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	87,577
<b>Total U. S. Department of Education</b>			943,976
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	18,698
National School Lunch Program	10.555	13391	57,182
Subtotal Child Nutrition Cluster			75,880
<b>Total U. S. Department of Agriculture</b>			75,880
<b>Total Federal Expenditures</b>			\$ 1,019,856

[1] - Major Program

See accompanying notes to supplementary information.

**PAZLO EDUCATION FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION BY CHARTER**  
**JUNE 30, 2023**

California Charter No.	1459		1961		Organization Total
	APEX Academy		Matrix for Success		
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 2,429,670		\$ 746,323		\$ 3,175,993
Accounts receivable	915,097		445,420		1,360,517
Prepaid expenses	3,867		15,000		18,867
Total current assets	<u>3,348,634</u>		<u>1,206,743</u>		<u>4,555,377</u>
Noncurrent assets					
Right-of-use asset	469,331		177,689		647,020
Deposits	-		15,000		15,000
Capital assets, net	56,716		15,305		72,021
Total noncurrent assets	<u>526,047</u>		<u>207,994</u>		<u>734,041</u>
<b>Total Assets</b>	<b>\$ 3,874,681</b>		<b>\$ 1,414,737</b>		<b>\$ 5,289,418</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Accounts payable	\$ 877,735		\$ 113,454		\$ 991,189
Operating lease liability	469,590		177,689		647,279
Deferred revenue	-		627,932		627,932
Total liabilities	<u>1,347,325</u>		<u>919,075</u>		<u>2,266,400</u>
Net assets					
Without donor restrictions	<u>2,527,356</u>		<u>495,662</u>		<u>3,023,018</u>
Total net assets	<u>2,527,356</u>		<u>495,662</u>		<u>3,023,018</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,874,681</b>		<b>\$ 1,414,737</b>		<b>\$ 5,289,418</b>

See accompanying notes to supplementary information.

**PAZLO EDUCATION FOUNDATION  
STATEMENT OF ACTIVITIES BY CHARTER  
FOR THE YEAR ENDED JUNE 30, 2023**

California Charter No.	1459	1961	Organization Total
	APEX Academy	Matrix for Success	
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>			
<b>SUPPORT AND REVENUES</b>			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 2,456,325	\$ 1,707,548	\$ 4,163,873
Federal revenues	888,416	131,440	1,019,856
Other state revenues	2,396,735	316,224	2,712,959
Total federal and state support and revenues	<u>5,741,476</u>	<u>2,155,212</u>	<u>7,896,688</u>
Local support and revenues			
Payments in lieu of property taxes	822,035	472,202	1,294,237
Other local revenues	(21,522)	52,008	30,486
Total local support and revenues	<u>800,513</u>	<u>524,210</u>	<u>1,324,723</u>
<b>Total Support and Revenues</b>	<u>6,541,989</u>	<u>2,679,422</u>	<u>9,221,411</u>
<b>EXPENSES</b>			
Program services	4,608,053	1,852,481	6,460,534
Management and general	1,516,574	750,624	2,267,198
<b>Total Expenses</b>	<u>6,124,627</u>	<u>2,603,105</u>	<u>8,727,732</u>
<b>CHANGE IN NET ASSETS</b>	417,362	76,317	493,679
<b>Net Assets - Beginning</b>	<u>2,109,994</u>	<u>419,345</u>	<u>2,529,339</u>
<b>Net Assets - Ending</b>	<u>\$ 2,527,356</u>	<u>\$ 495,662</u>	<u>\$ 3,023,018</u>

See accompanying notes to supplementary information.



**PAZLO EDUCATION FOUNDATION  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2023**

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	Second Period Report	Annual Report
<b>APEX Academy (Charter No. 1459)</b>		
	<u>Classroom-Based</u>	
<b>Grade Span</b>		
Seventh through eighth	66.87	66.27
Ninth through twelfth	155.37	151.41
<b>Total Average Daily Attendance - Classroom-Based</b>	<u>222.24</u>	<u>217.68</u>
<b>Total Average Daily Attendance</b>	<u>222.24</u>	<u>217.68</u>
<b>Matrix for Success Academy (Charter No. 1961)</b>		
	<u>Nonclassroom-Based</u>	
<b>Grade Span</b>		
Ninth through twelfth	137.73	149.51
<b>Total Average Daily Attendance - Nonclassroom-Based</b>	<u>137.73</u>	<u>149.51</u>
<b>Total Average Daily Attendance</b>	<u>137.73</u>	<u>149.51</u>

*APEX Academy had no Nonclassroom-Based ADA in 2022-23.*

*Matrix for Success Academy had no Classroom-Based ADA in 2022-23.*

**PAZLO EDUCATION FOUNDATION  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2023**

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<b>Charter School / Grade Span</b>	<b>Minutes Requirement</b>	<b>2022-23 Instructional Minutes</b>	<b>2022-23 Number of Days</b>	<b>Status</b>
<b>APEX Academy (Charter No. 1459)</b>				
Grade 7	54,000	64,045	180	Complied
Grade 8	54,000	64,045	180	Complied
Grade 9	64,800	64,800	180	Complied
Grade 10	64,800	64,800	180	Complied
Grade 11	64,800	64,800	180	Complied
Grade 12	64,800	64,800	180	Complied

<b>Charter School / Grade Span</b>		<b>2022-23 Number of Days</b>	<b>Status</b>
<b>Matrix for Success Academy (Charter No. 1961)</b>			
Grade 10		182	Complied
Grade 11		182	Complied
Grade 12		182	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, 2023**

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California Charter No.	1459	1961
	APEX Academy	Matrix for Success Academy
June 30, 2023, net position in Charter Schools Enterprise Fund per Annual and Financial Budget Report (Unaudited Actuals)	\$ 2,527,530	\$ 488,974
Adjustments:		
Increase (decrease) in total net assets:		
Adjustment to state funding	85	6,688
Record school rent related to operating lease liability	(259)	-
Net adjustments	(174)	6,688
June 30, 2023, net assets per audited financial statements	\$ 2,527,356	\$ 495,662

See accompanying notes to supplementary information.

**PAZLO EDUCATION FOUNDATION  
NOTES TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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**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 Average Daily Attendance**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**E. Schedule of Instructional Time**

This schedule presents information on the amount of instructional time and days offered per grade level by the Organization's charter schools, and whether the charter schools complied with the provisions of *Education Code Section 47612.5*.

**F. 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.

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**OTHER INDEPENDENT AUDITORS' REPORTS**

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**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, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated December 14, 2023.

**Report on 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 or significant deficiencies may exist that were not identified.

**Report on 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  
December 14, 2023

**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****Opinion on 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, 2023. 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.

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, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of PazLo Education Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of PazLo Education Foundation's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to PazLo Education Foundation's federal programs.



## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PazLo Education Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about PazLo Education Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PazLo Education Foundation's compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of PazLo Education Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of PazLo Education Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist in internal control over compliance that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

**Report on Internal Control Over Compliance (continued)**

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  
December 14, 2023

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER  
COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

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

**Report on State Compliance****Opinion on State Compliance**

We have audited PazLo Education Foundation's compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to PazLo Education Foundation's state program requirements for the fiscal year ended June 30, 2023. Reference to PazLo Education Foundation within this letter is inclusive of APEX Academy (Charter No. 1459) and Matrix for Success Academy (Charter No. 1961).

In our opinion, PazLo Education Foundation complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2023, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

**Basis for Opinion on State Compliance**

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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of PazLo Education Foundation and to meet certain ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of PazLo Education Foundation's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to PazLo Education Foundation's state programs.

## Auditor’s Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PazLo Education Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about PazLo Education Foundation's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PazLo Education Foundation's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PazLo Education Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of PazLo Education Foundation's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine PazLo Education Foundation’s compliance with the state laws and regulations to the following items:

Description	APEX	Matrix for Success
	Academy	Academy
	Procedures Performed	
<b>School Districts, County Offices of Education and Charter Schools</b>		
California Clean Energy Jobs Act	Not applicable*	Not applicable
After/Before School Education and Safety Program	Not applicable	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes	Yes
Local Control and Accountability Plan	Yes	Yes
Independent Study-Course Based	Not applicable	Not applicable
Immunizations	Yes	Yes
Educator Effectiveness	Yes	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes	Yes
Career Technical Education Incentive Grant	Not applicable	Not applicable
Transitional Kindergarten	Not applicable	Not applicable
<b>Charter Schools</b>		
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
Annual Instructional Minutes – Classroom Based	Yes	Not applicable
Charter School Facility Grant Program	Not applicable	Not applicable

“Not applicable” is used in the table above to indicate that the Charters either did not receive program funding or did not otherwise operate the program during the fiscal year.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state 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 Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

*Christy White, Inc.*

San Diego, California  
December 14, 2023

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**PAZLO EDUCATION FOUNDATION  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**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>	
84.425                      Education Stabilization Fund Discretionary Grants	

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</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>
Any audit findings disclosed that are required to be reported in accordance with <i>2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

All audit year findings, if any, are assigned an appropriate finding code as follows:

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
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

**PAZLO EDUCATION FOUNDATION  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

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There were no audit findings related to the financial statements for the year ended June 30, 2023.



**PAZLO EDUCATION FOUNDATION  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2023.

**PAZLO EDUCATION FOUNDATION  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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There were no audit findings and questioned costs related to state awards for the year ended June 30, 2023.

**PAZLO EDUCATION FOUNDATION  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

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This schedule presents the status of actions taken by the Organization on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2022.