

**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

OPERATING:

Academic Performance Excellence Academy (APEX Academy)

Charter School Number: 1459

Matrix for Success Academy

Charter School Number: 1961



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**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pazlo Education Foundation
dba: Academic Performance Excellence Academy and Matrix for Success Academy
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Pazlo Education Foundation dba: Academic Performance Excellence Academy and Matrix for Success Academy (the Academy), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Pazlo Education Foundation
dba: Academic Performance Excellence Academy and Matrix for Success Academy

Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Academy as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Academy’s financial statements as a whole. The APEX Academy, Matrix for Success Academy, and Elimination columns presented in the statements of financial position, activities, cash flows, and functional expenses and the accompanying supplementary schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2020 on our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the Academy’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 Academy’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
November 20, 2020

PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS	<u>APEX Academy</u>	<u>Matrix for Success Academy</u>	<u>Elimination</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 517,879	\$ 160,911	\$ -	\$ 678,790
Accounts Receivable	605,565	379,742	-	985,307
Due from Matrix for Success Academy	408,997	-	(408,997)	-
Prepaid Expenses and Other Assets	9,427	30,115	-	39,542
Total Current Assets	<u>1,541,868</u>	<u>570,768</u>	<u>(408,997)</u>	<u>1,703,639</u>
LONG-TERM ASSETS				
Property, Plant, and Equipment, Net	<u>33,558</u>	<u>24,888</u>	<u>-</u>	<u>58,446</u>
Total Assets	<u>\$ 1,575,426</u>	<u>\$ 595,656</u>	<u>\$ (408,997)</u>	<u>\$ 1,762,085</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 509,707	\$ 106,172	\$ -	\$ 615,879
Due to APEX Academy	-	408,997	(408,997)	-
Notes Payable, Current	-	49,998	-	49,998
Total Current Liabilities	<u>509,707</u>	<u>565,167</u>	<u>(408,997)</u>	<u>665,877</u>
LONG-TERM LIABILITIES				
PPP Loan	647,899	212,432	-	860,331
Notes Payable Long Term	-	100,002	-	100,002
Total Long-Term Liabilities	<u>647,899</u>	<u>312,434</u>	<u>-</u>	<u>960,333</u>
Total Liabilities	1,157,606	877,601	(408,997)	1,626,210
NET ASSETS (DEFICIT)				
Without Donor Restriction	<u>417,820</u>	<u>(281,945)</u>	<u>-</u>	<u>135,875</u>
Total Net Assets (Deficit)	<u>417,820</u>	<u>(281,945)</u>	<u>-</u>	<u>135,875</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 1,575,426</u>	<u>\$ 595,656</u>	<u>\$ (408,997)</u>	<u>\$ 1,762,085</u>

See accompanying Notes to Financial Statements.

**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	<u>APEX Academy</u>	<u>Matrix for Success Academy</u>	<u>Total</u>
REVENUES, WITHOUT DONOR RESTRICTION			
State Revenue:			
State Aid	\$ 3,143,101	\$ 1,439,066	\$ 4,582,167
Other State Revenue	342,913	135,328	478,241
Federal Revenue:			
Grants and Entitlements	315,017	134,595	449,612
Local Revenue:			
In-Lieu Property Tax Revenue	1,030,636	438,894	1,469,530
Contributions	12,466	100,000	112,466
Other Revenue	<u>21,265</u>	<u>-</u>	<u>21,265</u>
Total Revenues	<u>4,865,398</u>	<u>2,247,883</u>	<u>7,113,281</u>
EXPENSES			
Program Services	3,696,692	1,542,679	5,239,371
Management and General	886,248	477,187	1,363,435
Fundraising	<u>95</u>	<u>-</u>	<u>95</u>
Total Expenses	<u>4,583,035</u>	<u>2,019,866</u>	<u>6,602,901</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	282,363	228,017	510,380
Net Assets (Deficit) Without Donor Restriction - Beginning of Year	<u>135,457</u>	<u>(509,962)</u>	<u>(374,505)</u>
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTION - END OF YEAR	<u>\$ 417,820</u>	<u>\$ (281,945)</u>	<u>\$ 135,875</u>

See accompanying Notes to Financial Statements.

**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 3,076,800	\$ 589,992	\$ -	\$ 3,666,792
Pension Expense	469,431	932	-	470,363
Other Employee Benefits	718,076	130,890	-	848,966
Payroll Taxes	61,189	48,538	-	109,727
District Management & SELPA Fees	181,355	-	-	181,355
Legal Expenses	-	3,122	-	3,122
Accounting Expenses	-	19,793	-	19,793
Instructional Materials	30,737	-	-	30,737
Other Fees for Services	149,522	227,034	-	376,556
Office Expenses	28,472	89,613	-	118,085
Occupancy Expenses	427,792	81,920	-	509,712
Travel Expenses	6,321	-	-	6,321
Interest Expense	-	55,493	-	55,493
Depreciation Expense	22,860	-	-	22,860
Insurance Expense	-	49,574	-	49,574
Other Expenses	66,816	66,534	95	133,445
	<u>\$ 5,239,371</u>	<u>\$ 1,363,435</u>	<u>\$ 95</u>	<u>\$ 6,602,901</u>
Total	<u>\$ 5,239,371</u>	<u>\$ 1,363,435</u>	<u>\$ 95</u>	<u>\$ 6,602,901</u>

See accompanying Notes to Financial Statements.

**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
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STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	APEX Academy	Matrix for Success Academy	Elimination	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ 282,363	\$ 228,017	\$ -	\$ 510,380
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Depreciation	17,349	5,511	-	22,860
(Increase) Decrease in Assets:				
Accounts Receivable	(40,686)	(154,802)	-	(195,488)
Due from Matrix for Success Academy	158,559	-	(158,559)	-
Prepaid Expenses and Other Assets	(4,142)	12,500	-	8,358
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Liabilities	(246,986)	(129,509)	-	(376,495)
Due to APEX Academy	-	(158,559)	158,559	-
Net Cash Provided (Used) by Operating Activities	<u>166,457</u>	<u>(196,842)</u>	<u>-</u>	<u>(30,385)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property, Plant, and Equipment	-	(9,889)	-	(9,889)
Net Cash Used by Investing Activities	<u>-</u>	<u>(9,889)</u>	<u>-</u>	<u>(9,889)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Debt	647,899	362,432	-	1,010,331
Repayments of Debt	(360,269)	-	-	(360,269)
Net Cash Provided by Financing Activities	<u>287,630</u>	<u>362,432</u>	<u>-</u>	<u>650,062</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	454,087	155,701	-	609,788
Cash and Cash Equivalents - Beginning of Year	<u>63,792</u>	<u>5,210</u>	<u>-</u>	<u>69,002</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 517,879</u>	<u>\$ 160,911</u>	<u>\$ -</u>	<u>\$ 678,790</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid for Interest	<u>\$ 49,421</u>	<u>\$ 6,072</u>	<u>\$ -</u>	<u>\$ 55,493</u>

See accompanying Notes to Financial Statements.

**PAZLO EDUCATION FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pazlo Education Foundation dba: Academic Performance Excellence Academy and Matrix for Success Academy (the Academy) is a California nonprofit benefit corporation under the laws of the state of California for the purpose of managing and operating public charter schools located in Los Angeles. The Academy is economically dependent on state and federal funding.

Basis of Accounting

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

Basis of Presentation

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

Use of Estimates

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

Functional Allocation of Expenses

Costs of providing the Academy's programs and other activities have been presented in the statement of functional expenses. Costs are allocated among program and support services by a method that best measures the relative degree of benefit. The expenses that are allocated include pension expense, other employee benefits, payroll taxes, and occupancy which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

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

Net Asset (Deficit) Classes

Net assets (deficit), revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets (deficits) and changes therein are classified and reported as follows:

Net Assets (Deficit) Without Donor Restrictions – Net assets (deficits) available for use in general operations and not subject to donor (or certain grantor) restrictions.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2020. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

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

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Academy. The entire compensated absences liability is reported on the statement of financial position. Employees of the Academy are paid for days or hours worked based on board approved schedules which include vacation. Full time, year round Employees are entitled to a lump sum of 96 hours every July 1st, not to exceed 280 hours in a year.

Revenue Recognition

Amounts received from the California Department of Education (CDE) are conditional and recognized as revenue by the Academy based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income Taxes

The Academy is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Academy is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Academy files an exempt Academy return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the Academy is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenues from Contracts with Customers (Topic 606). The update establishes the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The Academy has early adopted the implementation of ASU 2014-09 under the full retrospective approach. There was no material impact on the Academy's financial position and results of operations upon adoption of the new standard.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Academy has implemented ASU 2018-08 under the modified prospective approach. There was no material impact on the Academy's financial position and results of operations upon adoption of the new standard.

Evaluation of Subsequent Events

The Academy has evaluated subsequent events through November 20, 2020, the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets available for general expenditures were comprised of the following as of June 30, 2020:

Cash and Cash Equivalents	\$ 678,790
Accounts Receivable	985,307
Financial Assets Available for General Expenditure	<u>\$ 1,664,097</u>

As part of its liquidity management plan, the Academy monitors liquidity required and cash flows to meet operating needs on a monthly basis. The Academy structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Academy maintains cash balances held in banks and which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Academy capitalizes all expenditures for land, buildings, and equipment in excess of \$1,000. Depreciation expense for the year ended June 30, 2020 was \$22,860.

The components of property, plant, and equipment as of June 30, 2020 are as follows:

Equipment	\$	164,916
Less: Accumulated Depreciation		(106,470)
Total Property, Plant, and Equipment	\$	58,446

NOTE 5 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of the State Teachers' Retirement System (STRS). The risks of participating in this multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the Academy chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The Academy has no plans to withdraw from this multiemployer plan.

State Teachers' Retirement System (STRS)

Plan Description

The Academy contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2019 total STRS plan net assets are \$273 billion, the total actuarial present value of accumulated plan benefits is \$392 billion, contributions from all employers totaled \$5.6 billion, and the plan is 66% funded. The Academy did not contribute more than 5% of the total contributions to the plan.

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

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JUNE 30, 2020**

NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.205% of their salary. The Academy is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 16.15% in 2020-21. The required employer contribution rate for year ended June 30, 2020 was 17.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

<u>Year Ended June 30.</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2018	\$ 319,766	100.0 %
2019	433,812	100.0
2020	464,303	100.0

Defined Contribution Plan

The Academy offers an Internal Revenue Code Section 401(k) retirement plan to each of its qualifying employees. Employer and employee contributions are used to purchase annuity contracts for each participant employee. Employer matching contributions are made at the rate equal to 100.0% of the first 3.0% 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, 2020 was \$6,060.

NOTE 6 FACILITIES AGREEMENT

In April 2015, the Academy signed a facility use agreement with Los Angeles Unified School District (LAUSD) for use of property located at 1309 Wilton Ave., Hollywood, California. The agreement commenced in July 2015 and carries a term that coincides with the Academy's charter. The agreement does not require the Academy to pay a lease amount for the use of the property, but instead the Academy pays a Pro Rata Share Charge for the maintenance of the facility and other services. This Pro Rata Share Charge is negotiated annually and therefore cannot be determined for future years. The Pro Rata Share Charge paid to LAUSD for the Academy for the year ended June 30, 2020 was \$303,565.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 OPERATING LEASES

In August 2018, the Academy entered into a lease agreement for property in Los Angeles for its Matrix for Success Academy location which expires in July 2021. Lease expense under this agreement for the year ended June 30, 2020 was \$180,000.

Future minimum lease payments are as follow:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 180,000
2022	15,000
Total	\$ 195,000

NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN

On April 25, 2020 the Academy received a loan from Hanmi Bank in the amount of \$860,331 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the “PPP Loan”). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Academy will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in August 2021 principal and interest payments will be required through the maturity date in April 2022.

NOTE 9 CONTINGENCIES, RISKS AND UNCERTAINTIES

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

**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 CONTINGENCIES, RISKS AND UNCERTAINTIES (CONTINUED)

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Academy, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Academy is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**PAZLO EDUCATION FOUNDATION
 DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
 MATRIX FOR SUCCESS ACADEMY
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 YEAR ENDED JUNE 30, 2020**

Pazlo Education Foundation dba: Academic Performance Excellence Academy and Matrix for Success Academy (the Academy), is a nonprofit public benefit organization organized under the Non-Profit Public Benefit School Law of the state of California.

Academic Performance Excellence Academy (APEX) was established in 2008 by LAUSD, conversion to Independent Charter School status approved June 2012.

Charter School number authorized by the State: 1459

Matrix for Success Academy was approved by LAUSD as an independent Charter School in June 2017, opened in July 2018.

Charter School number authorized by the State: 1961

The Board of Directors and the Administrators as of the year ended June 30, 2020 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3 year term)</u>
Allison Hendrick	Co-chair	June 30, 2021
June Getz	Co-chair	June 30, 2021
Mary Jane Wagle	Treasurer	June 30, 2022
Jody Molodow	Secretary	June 30, 2021
Marla Mattenson	Member	June 30, 2022
Lynette Jenkins	Member	June 30, 2022

ADMINISTRATORS

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

**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2020**

	<u>Instructional Minutes</u>		<u>Credited Minutes</u>	<u>Total Actual Plus</u>	<u>Traditional</u>	<u>Credited Days</u>	<u>Total Actual Plus</u>	<u>Status</u>
	<u>Requirement</u>	<u>Actual</u>	<u>COVID-19 School Closure Certification</u>	<u>Credited Minutes</u>	<u>Calendar Days</u>	<u>COVID-19 School Closure Certification</u>	<u>Credited Days</u>	
Grade 7	54,000	47,385	22,035	69,420	123	57	180	In compliance
Grade 8	54,000	47,385	22,035	69,420	123	57	180	In compliance
Grade 9	64,800	47,385	22,035	69,420	123	57	180	In compliance
Grade 10	64,800	47,385	22,035	69,420	123	57	180	In compliance
Grade 11	64,800	47,385	22,035	69,420	123	57	180	In compliance
Grade 12	64,800	47,385	22,035	69,420	123	57	180	In compliance

See accompanying Auditors' Report and the Notes to Supplementary Information

**PAZLO EDUCATION FOUNDATION
 DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
 MATRIX FOR SUCCESS ACADEMY
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2020**

APEX:

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
	Grades 7-8	99.03	99.03	99.03
Grades 9-12	225.85	242.52	225.85	242.52
ADA Totals	324.88	341.55	324.88	341.55

Matrix for Success Academy:

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
	Grades 9-12	-	149.88	-
ADA Totals	-	149.88	-	149.88

**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

	APEX Academy	Matrix for Success Academy
June 30, 2020 Annual Financial Report Fund Balances (Net Assets/Deficit)	\$ 412,360	\$ (293,623)
Adjustments and Reclassifications:		
Increase (Decrease) of Fund Balance (Net Assets):		
Prepaid Expenses and Other Assets	-	14,999
Accounts Payable and Accrued Liabilities	5,460	(3,321)
Net Adjustments and Reclassifications	5,460	11,678
June 30, 2020 Audited Financial Statement Fund Balances (Net Assets/Deficit)	\$ 417,820	\$ (281,945)

See accompanying Auditors' Report and the Notes to Supplementary Information

**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by Academy, the number of instructional days offered during the year audited on the traditional calendar and on any multitrack calendars; and whether Academy complied with the provisions of Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

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

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

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



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Pazlo Education Foundation
dba: Academic Performance Excellence Academy and Matrix for Success Academy
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pazlo Education Foundation dba: Academic Performance Excellence Academy and Matrix for Success Academy (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

Board of Directors
Pazlo Education Foundation
dba: Academic Performance Excellence Academy and Matrix for Success Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
November 20, 2020



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited Pazlo Education Foundation dba: Academic Performance Excellence Academy and Matrix for Success Academy's (the Academy) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2020. The Academy's state compliance requirements are identified in the table below.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Academy's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the Academy's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the Academy's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not applicable
Before/After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

Board of Directors
 Pazlo Education Foundation
 dba: Academic Performance Excellence Academy and Matrix for Success Academy

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

Opinion on State Compliance

In our opinion, the Academy complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2020.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.


CliftonLarsonAllen LLP

Glendora, California
 November 20, 2020

**PAZLO EDUCATION FOUNDATION
 DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
 MATRIX FOR SUCCESS ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2020**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards* or the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**PAZLO EDUCATION FOUNDATION
DBA: ACADEMIC PERFORMANCE EXCELLENCE ACADEMY AND
MATRIX FOR SUCCESS ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

There were no findings in the prior year.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

