

TEACH, INC.

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2015**

Operating:

TEACH Academy of Technologies

TEACH Tech Charter High School

TEACH, INC.

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June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
TEACH, Inc.
Los Angeles, CA

Report on the Financial Statements

We have audited the accompanying financial statements of TEACH, Inc. (the Organization), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
TEACH, Inc.

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the Organization as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Organization's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2015 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 11, 2015

TEACH, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2015

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Public Schools, Inc.	Eliminations	Total
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 484,533	\$ 54,121	\$ 42,267	\$ -	\$ 580,921
Accounts receivable - federal and state	257,971	140,503	-	-	398,474
Prepaid expenses	11,817	7,286	5,080	-	24,183
Intercompany receivable	81,540	-	-	(81,540)	-
Total current assets	835,861	201,910	47,347	(81,540)	1,003,578
LONG-TERM ASSETS:					
Property, plant and equipment, net	7,947	19,132	-	-	27,079
Deposits	100,900	13,300	5,850	-	120,050
Total long-term assets	108,847	32,432	5,850	-	147,129
Total assets	\$ 944,708	\$ 234,342	\$ 53,197	\$ (81,540)	\$ 1,150,707
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities	\$ 29,190	\$ 15,045	\$ 15,519	\$ -	\$ 59,754
Deferred revenue	-	-	9,000	-	9,000
Intercompany payable	-	69,328	12,212	(81,540)	-
Total current liabilities	29,190	84,373	36,731	(81,540)	68,754
NET ASSETS:					
Unrestricted	915,518	149,969	16,466	-	1,081,953
Total net assets	915,518	149,969	16,466	-	1,081,953
Total liabilities and net assets	\$ 944,708	\$ 234,342	\$ 53,197	\$ (81,540)	\$ 1,150,707

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

TEACH, INC.

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Public Schools, Inc.	Eliminations	Total
UNRESTRICTED REVENUES:					
State revenue:					
State aid	\$ 1,358,308	\$ 664,021	\$ -	\$ -	2,022,329
Other state revenue	323,485	67,260	-	-	390,745
Federal revenue:					
Grants and entitlements	332,149	173,872	-	-	506,021
Local revenue:					
In-lieu property tax revenue	379,860	141,878	-	-	521,738
Contributions	145	250,000	-	-	250,145
Interest income	135	49	-	-	184
Other revenue	13,440	1,140	372,970	(306,690)	80,860
Total unrestricted revenues	2,407,522	1,298,220	372,970	(306,690)	3,772,022
Net assets released from restriction	55,064	-	-	-	55,064
Total unrestricted revenues and net assets released from restriction	2,462,586	1,298,220	372,970	(306,690)	3,827,086
EXPENSES:					
Program services	1,296,882	856,088	337,519		2,490,489
Management and general	595,589	313,876	17,086	(306,690)	619,861
Fundraising	1,448	709	1,899	-	4,056
Total expenses	1,893,919	1,170,673	356,504	(306,690)	3,114,406
Change in unrestricted net assets	568,667	127,547	16,466	-	712,680
TEMPORARILY RESTRICTED:					
Net assets released from restriction	(55,064)	-	-	-	(55,064)
Change in temporarily restricted net assets	(55,064)	-	-	-	(55,064)
Total change in net assets	513,603	127,547	16,466	-	657,616
Net assets, beginning of year	352,050	(61,279)	-	-	290,771
Adjustment for restatement (see Note 8)	49,865	83,701	-	-	133,566
Restated net assets, beginning of year	401,915	22,422	-	-	424,337
Net assets, end of year	\$ 915,518	\$ 149,969	\$ 16,466	\$ -	\$ 1,081,953

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

TEACH, INC.

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015**

	TEACH Academy of Technologies	TEACH Tech Charter High School	TEACH Public Schools, Inc.	Eliminations	Total
CASH FLOWS from OPERATING ACTIVITIES:					
Change in net assets	\$ 513,603	\$ 127,547	\$ 16,466	\$ -	\$ 657,616
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	3,169	4,381	-	-	7,550
Change in operating assets:					
Accounts receivable - federal and state	(2,932)	(56,802)	-	-	(59,734)
Accounts receivable - other	-	-	-	-	-
Prepaid expenses	28,466	(7,286)	(5,080)	-	16,100
Deposits	(80,850)	(13,300)	(5,850)	-	(100,000)
Intercompany receivable	4,861	-	-	(4,861)	-
Change in operating liabilities:					
Accounts payable and accrued liabilities	(64,984)	15,045	15,519	-	(34,420)
Deferred revenue	-	-	9,000	-	9,000
Intercompany payable	-	(17,073)	12,212	4,861	-
Net cash flows from operating activities	401,333	52,512	42,267	-	496,112
CASH FLOWS from INVESTING ACTIVITIES:					
Purchases of property, plant and equipment	-	(1,091)	-	-	(1,091)
Net cash flows from investing activities	-	(1,091)	-	-	(1,091)
CASH FLOWS from FINANCING ACTIVITIES:					
Repayments of debt	(62,500)	-	-	-	(62,500)
Net cash flows from financing activities	(62,500)	-	-	-	(62,500)
Net change in cash and cash equivalents	338,833	51,421	42,267	-	432,521
Cash and cash equivalents at the beginning of the year	145,700	2,700	-	-	148,400
Cash and cash equivalents at the end of the year	\$ 484,533	\$ 54,121	\$ 42,267	\$ -	\$ 580,921
SUPPLEMENTAL CASH FLOW INFORMATION:					
Cash paid for interest during the fiscal year	\$ 222	\$ -	\$ -	\$ -	\$ 222

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

TEACH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 1,226,371	\$ 147,877	\$ -	\$ 1,374,248
Pension expense	98,933	9,894	-	108,827
Other employee benefits	53,919	6,894	-	60,813
Payroll taxes	71,368	15,922	-	87,290
Management fees	-	271,172	-	271,172
Legal expenses	-	12,184	-	12,184
Accounting expenses	-	13,004	-	13,004
Instructional materials	82,366	-	-	82,366
Other fees for services	183,667	68,510	1,448	253,625
Office expenses	69,491	18,685	-	88,176
Printing and postage expenses	-	381	-	381
Information technology expenses	58,860	4,384	-	63,244
Occupancy expenses	291,895	31,957	-	323,852
Travel expenses	9,459	-	-	9,459
Conference and meeting expenses	2,908	-	-	2,908
Interest expense	-	222	-	222
Depreciation expense	2,789	4,761	-	7,550
Insurance expense	20,034	4,542	-	24,576
Other expenses	318,429	9,472	2,608	330,509
	<u>\$ 2,490,489</u>	<u>\$ 619,861</u>	<u>\$ 4,056</u>	<u>\$ 3,114,406</u>

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

TEACH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – TEACH, Inc. (the Organization) was incorporated in the State of California on January 2, 2001, under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The Organization is comprised of TEACH Public Schools, Inc. (charter management organization), TEACH Academy of Technologies and TEACH Tech Charter High School. TEACH Academy of Technologies petitioned and was approved through Los Angeles Unified School District for a charter for a five-year period ending in 2015 under the Education Code Section 47612 and 47613.5, and began operations in 2010. TEACH Tech Charter High School petitioned and was approved through Los Angeles Unified School District for a charter for a five-year period ending in 2019 under the Education Code Section 47612 and 47613.5, and began operations in 2014.

The Organization currently serves approximately 330 students in Grade 5 through Grade 10.

The mission of the Organization is to create a high quality, innovative teaching and learning environment that focuses on literacy; integrating state-of-the-art technologies across the core curriculum to achieve academic proficiency for all students.

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

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

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

Functional Allocation of Expenses – Costs of providing the Organization’s programs and other activities have been presented in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services based on employees’ time incurred and management’s estimates of the usage of resources.

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

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

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

TEACH, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The Organization does not currently have any temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the Organization. The Organization does not currently have any permanently restricted net assets.

Receivables – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2015. 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 market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

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

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by the Organization based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

TEACH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes – The Organization is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Organization files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Evaluation of Subsequent Events – The Organization has evaluated subsequent events through December 11, 2015, the date these financial statements were available to be issued.

NOTE 2: CONCENTRATION OF CREDIT RISK

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

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Organization capitalizes all expenditures for land, buildings and equipment in excess of \$1,000. Depreciation expense was \$7,550 for the year ended June 30, 2015. The components of property, plant and equipment as of June 30, 2015 are as follows:

	TEACH Academy of Technologies	TEACH Tech Charter High School	Total
Furniture, fixtures, equipment	\$ 17,046	\$ 23,512	\$ 40,558
Less accumulated depreciation	(9,099)	(4,380)	(13,479)
Property, plant and equipment, net	<u>\$ 7,947</u>	<u>\$ 19,132</u>	<u>\$ 27,079</u>

TEACH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 4: PARTICIPATION IN JOINT POWERS AUTHORITY

The Organization entered into a Joint Powers Agreement (JPA) known as “CharterSAFE” through the California Charter Schools Association Joint Powers Authority (CCSA-JPA), a self insurance plan for workers' compensation, property/casualty, and school board liability insurance. The CCSA-JPA is governed by a board consisting of a representative from each member organization. The board controls the operation of the CCSA-JPA including selection of management and approval of operating budgets, independent of any influence by the member organizations beyond their representation on the board. Each member organization pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the CCSA-JPA. The CCSA-JPA is a separate entity which is audited by an independent accounting firm.

NOTE 5: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plans

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

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the Organization chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Organization has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The Organization contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor 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, 2014, total plan net assets are \$191 billion, the total actuarial present value of accumulated plan benefits is \$287 billion, contributions from all employers totaled \$2.3 billion, and the plan is 68.5% funded. The Organization 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.

TEACH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 5: EMPLOYEE RETIREMENT

Funding Policy

Active plan members are required to contribute 8.15% of their salary and the Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

Year Ended <u>June 30,</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2013	\$ 43,882	100%
2014	\$ 38,564	100%
2015	\$ 88,952	100%

Public Employees' Retirement System (PERS)

Plan Description

The Organization contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for PERS is not publicly available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2014, the Schools Pool total plan assets are \$56.8 billion, the total actuarial present value of accumulated plan benefits is \$76.9 billion, contributions from all employers totaled \$1.2 billion, and the plan is 86.6% funded. The Organization did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and www.calpers.ca.gov.

TEACH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 5: EMPLOYEE RETIREMENT

Funding Policy

Active plan members prior to January 1, 2013 are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.0% of their salary. The Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2015 was 11.771%. The contribution requirements of the plan members are established and may be amended by State statute

Contributions to PERS

The Organization's contributions to PERS for each of the last three years are as follows:

Year Ended <u>June 30,</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2013	\$ 12,782	100%
2014	\$ 10,502	100%
2015	\$ 19,875	100%

NOTE 6: OPERATING LEASES

The Organization leases its facilities under several lease agreements where the last lease expires in July of 2016. Lease expense under these agreements for the year ended June 30, 2015 was \$278,750.

Future minimum lease payments are as follows:

Year Ended <u>June 30,</u>	
2016	\$ 89,100
2017	6,450
Total	<u>\$ 95,550</u>

NOTE 7: CONTINGENCIES

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

TEACH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 8: ADJUSTMENT FOR RESTATEMENT

Beginning net assets for TEACH Academy of Technologies and TEACH Tech Charter High were restated due to an understatement of federal revenue in the prior year.

NOTE 9: COMMITMENTS

In February 2015, the Organization entered into a lease agreement for facilities in Los Angeles, California for the high school campus. The lease commences August 1, 2015 with base monthly rent payments of \$55,633. The lease contains a purchase option that can be exercised after August 2019 based on terms stipulated within the lease agreement.

In April 2015, the Organization entered into a sublease agreement for a portion of the TEACH Academy of Technologies property for \$9,000 per month. The sublease commences August 1, 2015 and expires on July 31, 2016.

SUPPLEMENTARY INFORMATION

TEACH, INC.

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
For the Year Ended June 30, 2015**

The Organization was established in the State of California on January 2, 2001, when it was granted its charter under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The Organization was granted its charter by the Los Angeles Unified School District (the District) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

The charter schools operated and charter numbers are as follows:

TEACH Academy of Technologies – charter number 1206.

TEACH Tech Charter High School – charter number 1658.

The Board of Directors and the Administrator as of June 30, 2015 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Marvin Avila	Member	2016
Katrina Oh	Member	2016
Melvin Ford	Member	2016
Earl Wooten	Member	2016
Edith Morris	Member	2016
Xavier Reyes	Member	2016

ADMINISTRATOR

Mildred Cunningham Executive Director

TEACH, INC.

SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2015

	Instructional Minutes			Instructional Days	Status
	Requirement	Reduced	Actual		
TEACH Academy of Technologies:					
Grade 5	54,000	52,457	76,410	190	In compliance
Grade 6	54,000	52,457	76,410	190	In compliance
Grade 7	54,000	52,457	76,410	190	In compliance
Grade 8	54,000	52,457	76,410	190	In compliance
TEACH Tech Charter High School:					
Grade 9	64,800	62,949	70,930	190	In compliance
Grade 10	64,800	62,949	70,930	190	In compliance

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

TEACH, INC.

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015**

	Second Period Report		Annual Report	
	Classroom		Classroom	
	Based	Total	Based	Total
TEACH Academy of Technologies:				
Grades 5-6	91.16	91.16	91.35	91.35
Grades 7-8	139.79	139.79	139.46	139.46
Subtotal	230.95	230.95	230.81	230.81
TEACH Tech Charter High School:				
Grades 9-10	86.26	86.26	84.91	84.91
Subtotal	86.26	86.26	84.91	84.91
ADA Totals	317.21	317.21	315.72	315.72

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

TEACH, INC.

RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

	TEACH Academy of Technologies	TEACH Tech Charter High School
June 30, 2015 Annual Financial Report Fund Balances (Net Assets)	\$ 918,446	\$ 145,541
Adjustments and Reclassifications:		
Increasing (Decreasing) the Fund Balance (Net Assets):		
Cash and cash equivalents	757	609
Accounts receivable - federal and state	(912)	5,684
Prepaid expenses and other assets	(10,248)	(38)
Property, plant and equipment, net	-	(26)
Accounts payable and accrued liabilities	7,475	(1,801)
Net Adjustments and Reclassifications	<u>(2,928)</u>	<u>4,428</u>
June 30, 2015 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 915,518</u>	<u>\$ 149,969</u>

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

TEACH, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal		Pass-Through		TEACH Academy of Technologies	TEACH Tech Charter High School	Total Federal Expenditures
	CFDA Number	Number	Entity Identifying Number	Number			
U.S. Department of Education							
Pass Through Program From California Department of Education:							
No Child Left Behind Act							
Title I, Part A, Basic Grants	84.010	14329	\$ 101,564	\$ -		\$ 101,564	
Low-Income and Neglected	84.367	14341	1,429	-		1,429	
Title II, Part A, Teacher Quality	84.282A	14941	-	101,299		101,299	
Title V, Part B, Public Charter Schools Grant Program	84.027A	14468	43,945	16,414		60,359	
Special Ed IDEA Mental Health Services			146,938	117,713		264,651	
<i>Total U.S. Department of Education</i>							
U.S. Department of Agriculture:							
Pass Through Program From California Department of Education:							
Child Nutrition Programs	10.555	N/A	185,211	56,159		241,370	
<i>Total U.S. Department of Agriculture</i>			185,211	56,159		241,370	
Total Federal Expenditures			\$ 332,149	\$ 173,872		\$ 506,021	

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

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

TEACH, INC.

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Instructional Time

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

Schedule of Average Daily Attendance

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

Reconciliation of Annual Financial Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the modified accrual basis of accounting.



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

Board of Directors
TEACH, Inc.
Los Angeles, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of TEACH, Inc. (the Organization), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2015, 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 December 11, 2015.

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) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 11, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Board of Directors
TEACH, Inc.
Los Angeles, CA

Report on Compliance for Each Major Federal Program

We have audited the compliance of TEACH, Inc. (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 11, 2015

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
 TEACH, Inc.
 Los Angeles, CA

We have audited TEACH, Inc.’s (the Organization) compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, published by the Education Audit Appeals Panel for the year ended June 30, 2015. The Organization’s State compliance requirements are identified in the table below.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the Organization’s compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on State compliance. Our audit does not provide a legal determination of the Organization’s compliance.

Compliance Requirements Tested

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

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Opinion on State Compliance

In our opinion, the Organization complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 11, 2015

TEACH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:
Material weakness(es) identified? *No*
Significant deficiencies identified that are
not considered to be material weakness(es)? *None Reported*

Noncompliance material to financial statements noted? *No*

Federal Awards

Internal control over major programs:
Material weakness(es) identified? *No*
Significant deficiencies identified that are
not considered to be material weakness(es)? *None Reported*

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of (Circular A-133)? *No*

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Programs
84.282A	Public Charter Schools Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? *No*

TEACH, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

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

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

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for June 30, 2015.

TEACH, INC.

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

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