

EDNOVATE, INC.
**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
YEARS ENDED JUNE 30, 2023 AND 2022

**EDNOVATE SUPPORT TEAM
PMC SUPPORT CORPORATION**

CHARTER SCHOOLS:

**USC HYBRID HIGH SCHOOL – 1401
EAST COLLEGE PREP – 1702
LEGACY COLLEGE PREP – 1798
BRIO COLLEGE PREP – 1843
ESPERANZA COLLEGE PREP – 1842
EDNOVATE SOUTH LA COLLEGE PREP – 2087**

**PLANNING TO OPEN IN FALL OF 2024:
EDNOVATE COLLEGE PREP 6 – 2086**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ednovate, Inc.
Los Angeles, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Ednovate, Inc., (a California Nonprofit Public Benefit Corporation) (the School), which are comprised of the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2023 the School adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with response to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the accompanying supplementary schedules as identified in the table of contents (collectively, Supplementary Information) are the responsibility of management, and, except for the portion marked “unaudited,” were derived from, and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole. The Local Education Agency Organization Structure, which is marked “unaudited”, has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2023, on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’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 School’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
November 25, 2023

EDNOVATE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 25,999,858	\$ 16,529,213
Accounts Receivable	7,164,996	8,718,576
Prepaid Expenses	965,656	673,214
Total Current Assets	34,130,510	25,921,003
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	944,911	1,189,494
Right of Use Asset - Operating	8,046,781	-
Property and Equipment	59,622,741	55,644,599
Total Noncurrent Assets	68,614,433	56,834,093
Total Assets	\$ 102,744,943	\$ 82,755,096
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 3,080,742	\$ 3,924,413
Deferred Revenue	8,614,625	2,777,630
Current Portion of Operating Lease Liability	1,446,842	-
Current Portion of Long-Term Debt	1,029,590	1,258,247
Total Current Liabilities	14,171,799	7,960,290
LONG-TERM LIABILITIES		
Deferred Rent Liability	-	331,112
Noncurrent Portion of Operating Lease Liability	6,998,821	-
Noncurrent Portion of Long-Term Debt	55,608,864	51,851,708
Total Long-Term Liabilities	62,607,685	52,182,820
Total Liabilities	76,779,484	60,143,110
NET ASSETS		
Without Donor Restrictions	25,708,728	21,705,474
With Donor Restrictions	256,731	906,512
Total Net Assets	25,965,459	22,611,986
Total Liabilities and Net Assets	\$ 102,744,943	\$ 82,755,096

See accompanying Notes to Consolidated Financial Statements.

EDNOVATE, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Local Control Funding Formula	\$ 36,589,930	\$ -	\$ 36,589,930
Federal Revenue	6,111,452	-	6,111,452
Other State Revenue	6,369,556	96,768	6,466,324
Interest Revenue	96,499	-	96,499
Contributions and Fundraising	1,513,970	-	1,513,970
Other Revenue	8,178	-	8,178
Net Assets Released from Restrictions	746,549	(746,549)	-
Total Revenues	<u>51,436,134</u>	<u>(649,781)</u>	<u>50,786,353</u>
EXPENSES			
Program Services	40,509,582	-	40,509,582
Management and General	6,728,166	-	6,728,166
Fundraising	195,132	-	195,132
Total Expenses	<u>47,432,880</u>	<u>-</u>	<u>47,432,880</u>
CHANGE IN NET ASSETS	4,003,254	(649,781)	3,353,473
Total Net Assets - Beginning of Year	<u>21,705,474</u>	<u>906,512</u>	<u>22,611,986</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 25,708,728</u></u>	<u><u>\$ 256,731</u></u>	<u><u>\$ 25,965,459</u></u>

See accompanying Notes to Consolidated Financial Statements.

EDNOVATE, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Local Control Funding Formula	\$ 32,253,895	\$ -	\$ 32,253,895
Federal Revenue	7,492,287	-	7,492,287
PPP Loan Forgiveness	2,845,020	-	2,845,020
Other State Revenue	5,099,832	-	5,099,832
Interest Revenue	47,017	-	47,017
Contributions and Fundraising	1,644,348	386,444	2,030,792
Other revenue	172,011	-	172,011
Net Assets Released from Restrictions	452,200	(452,200)	-
Total Revenues	50,006,610	(65,756)	49,940,854
EXPENSES			
Program Services	37,117,341	-	37,117,341
Management and General	5,975,733	-	5,975,733
Fundraising	172,953	-	172,953
Total Expenses	43,266,027	-	43,266,027
CHANGE IN NET ASSETS	6,740,583	(65,756)	6,674,827
Total Net Assets - Beginning of Year	14,964,891	972,268	15,937,159
TOTAL NET ASSETS - END OF YEAR	\$ 21,705,474	\$ 906,512	\$ 22,611,986

See accompanying Notes to Consolidated Financial Statements.

EDNOVATE, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 20,585,310	\$ 3,148,100	\$ 162,836	\$ 23,896,246
Professional Services	5,394,566	1,106,650	-	6,501,216
Advertising and Promotion	-	400,120	-	400,120
Occupancy	6,369,644	320,769	16,592	6,707,005
Office Expenses	918,973	545,864	-	1,464,837
Insurance	-	215,632	-	215,632
Travel	197,811	60,380	-	258,191
Interest	1,811,638	335,084	-	2,146,722
Depreciation	1,324,574	6,857	355	1,331,786
Student Nutrition	911,023	107,655	-	1,018,678
Instructional Materials	989,823	-	-	989,823
Other Expenses	2,006,220	481,055	15,349	2,502,624
Total Functional Expenses	<u>\$ 40,509,582</u>	<u>\$ 6,728,166</u>	<u>\$ 195,132</u>	<u>\$ 47,432,880</u>

See accompanying Notes to Consolidated Financial Statements.

EDNOVATE, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 17,808,113	\$ 2,176,115	\$ 148,046	\$ 20,132,274
Professional Services	4,719,424	1,066,215	-	5,785,639
Advertising and Promotion	-	308,184	-	308,184
Occupancy	5,194,664	188,304	12,795	5,395,763
Office Expenses	1,060,756	559,750	-	1,620,506
Insurance	-	298,149	-	298,149
Travel	66,648	18,811	-	85,459
Interest	1,817,831	344,043	-	2,161,874
Depreciation	1,227,351	9,238	628	1,237,217
Student Nutrition	610,496	203,037	-	813,533
Instructional Materials	1,089,623	-	-	1,089,623
Other Expenses	3,522,435	803,887	11,484	4,337,806
Total Functional Expenses	<u>\$ 37,117,341</u>	<u>\$ 5,975,733</u>	<u>\$ 172,953</u>	<u>\$ 43,266,027</u>

See accompanying Notes to Consolidated Financial Statements.

EDNOVATE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,353,473	\$ 6,674,827
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,331,786	1,237,217
Loss on Disposal of Property and Equipment	6,611	-
Amortization of Debt Issue Costs, Premium/Discount	45	45
PPP Loan Forgiveness	-	(2,813,265)
Recoverable Grant Forgiveness	-	(500,000)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	1,553,580	4,999,234
Prepaid Expenditures	(292,442)	119,601
Right of Use Asset - Operating	(8,046,781)	-
Accounts Payable	(843,671)	642,426
Deferred Revenue	5,836,995	1,488,785
Operating Lease Liability	8,445,663	-
Deferred Rent Liability	(331,112)	164,913
Net Cash Provided by Operating Activities	11,014,147	12,013,783
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(5,316,539)	(6,927,779)
Net Cash Used by Investing Activities	(5,316,539)	(6,927,779)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Proceeds	4,612,836	5,561,152
Loan Principal Payments	(1,084,382)	(1,075,992)
Net Cash Provided by Financing Activities	3,528,454	4,485,160
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	9,226,062	9,571,164
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	17,718,707	8,147,543
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 26,944,769	\$ 17,718,707
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and Cash Equivalents	\$ 25,999,858	\$ 16,529,213
Restricted Cash and Cash Equivalents	944,911	1,189,494
Total Cash and Cash Equivalents	\$ 26,944,769	\$ 17,718,707
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest (Net of Capitalized Interest)	\$ 2,089,229	\$ 2,161,874

See accompanying Notes to Consolidated Financial Statements.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 ORGANIZATION AND MISSION

Ednovate Inc.

Ednovate, Inc., (the School) was formed during 2011 as a California nonprofit public benefit corporation. The School operates USC Hybrid High School (USC Hybrid), East College Prep (East), Legacy College Prep (Legacy), Brio College Prep (Brio), Esperanza College Prep (Esperanza), and Ednovate South LA College Prep (South LA). The School has also been approved for an additional charter, Ednovate College Prep 6, which will open in the 2024-2025 School year. The mission of all schools is for students to use their college degrees and careers to make a positive multi-generational change, with a goal of 100% of students being accepted into a four-year university with a 90% persistence rate after their freshman year of college.

USC Hybrid High School

Charter School number authorized by the state: 1401

On September 1, 2012, the School welcomed its first students to USC Hybrid. USC Hybrid is located in Los Angeles, California at 3939 S Vermont Ave., and for the year ended June 30, 2023 served approximately 485 students in grades nine through twelve. USC Hybrid was numbered by the State of California Department of Education on February 8, 2012 and has a charter through June 30, 2024.

East College Prep

Charter School number authorized by the state: 1702

On August 10, 2015, the School welcomed its first students to East. East is currently located at 3825 N. Mission Road, in Los Angeles, California. For the year ended June 30, 2023, East served approximately 315 students in grades nine through twelve. East's charter was originally approved on June 10, 2014 with LAUSD and has a current charter through June 30, 2027.

Legacy College Prep

Charter School number authorized by the state: 1798

The School welcomed its first students to Legacy on August 8, 2016, during the 2017 fiscal year. Legacy is located in Santa Ana, California at 1450 E. 17th St. For the year ended June 30, 2023, Legacy served approximately 355 students in grades nine through twelve. Legacy's current charter through the Orange County Department of Education expires June 30, 2026.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 ORGANIZATION AND MISSION (CONTINUED)

Brio College Prep

Charter School number authorized by the state: 1843

The School welcomed its first students to Brio College Prep on August 7, 2017, during the 2018 fiscal year. Brio is located in Los Angeles, California at 350 S Figueroa St, Suite 100. For the year ended June 30, 2023, Brio served approximately 440 students in ninth through twelfth grade. Brio's current charter is through June 30, 2024.

Esperanza College Prep

Charter School number authorized by the state: 1842

The School welcomed its first students to Esperanza College Prep on August 7, 2017, during the 2018 fiscal year. Esperanza is located across two sites in Los Angeles, California, at both 319 N. Humphreys Avenue (for 9th and 11th grade students) and 4545 E. Dozier St. (for 10th graders). For the year ended June 30, 2023, Esperanza served approximately 460 students in ninth through twelfth grade. Esperanza's current charter is through June 30, 2024.

Ednovate South LA College Prep

Charter School number authorized by the state: 2087

On April 2, 2019, the Los Angeles Unified School District (LAUSD) Board of Education voted to approve Ednovate South LA College Prep beginning July 1, 2020. The current charter is through June 30, 2027. South LA is located in Los Angeles, California at 700 Wilshire Blvd, Ste. 300. For the year ended June 30, 2023, Ednovate South LA served approximately 300 students in ninth through eleventh grade.

Ednovate College Prep 6

Charter School number authorized by the state: 2086

On April 2, 2019, the Los Angeles Unified School District (LAUSD) Board of Education voted to approve Ednovate College Prep 6. The current charter is through June 30, 2027. This campus is planning on welcoming its first class of ninth graders in the 2024-2025 School year.

Ednovate Support Team

Ednovate Support Team (the Support Team) performs administrative support provided to the individual schools and accounted for separately within the consolidated financial statements. The Support Team charges each school a management fee based on a percentage of public revenues received by the School.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 ORGANIZATION AND MISSION (CONTINUED)

PMC Support Corporation

PMC Support Corporation (PMC) was formed during 2015 as a California nonprofit public benefit corporation. The specific purpose of PMC is to be operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Ednovate Inc., a California nonprofit public benefit corporation.

PMC Support Corporation is the sole member of four Limited Liability Companies, PMC 17th Street LLC, PMC North Mission Road LLC, PMC Vermont LLC, and PMC Atlantic LLC (the LLCs). These LLCs are special purposes entities formed for the purpose holding property.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by the School are described below to enhance the consolidated financial statements.

Financial Statement Presentation

The School is required to report information about its financial position and activities in two classes of net assets: with and without donor restrictions.

Accounting Method - Basis of Accounting

The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the consolidated financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The School uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which they are incurred.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the School 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.

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.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses are recognized as revenue in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2023, the School had conditional grants of \$19,667,713 of which \$8,396,506 is reported as deferred revenue on the statement of financial position. As of June 30, 2022, the School had conditional grants of \$17,139,808 of which \$2,671,761 was reported as deferred revenue on the statement of financial position.

Income Taxes

The School and PMC are nonprofit public benefit corporations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). They are also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes have been reflected in these consolidated financial statements.

The School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities.

Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the consolidated financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School 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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2023, management had determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. The School has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

It is the School's policy to capitalize individual property and equipment purchases over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Furniture and equipment are depreciated using the straight-line method, over 5 to 7 years. Depreciation expense for the year ended June 30, 2023 was \$1,331,786.

Donated Services, Goods, and Facilities

A number of volunteers have donated their time and experience to the School's program services and fundraising campaigns during the year. These donated services are not reflected in the consolidated financial statements since they do not meet recognition criteria under accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of consolidated 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 and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (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.

Functional Allocation of Expenses

Costs of providing the School's programs and other activities have been presented on a natural and functional basis in the statement of activities. Certain categories of expenses are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, occupancy, and depreciation which were allocated based on estimates of time and effort of personnel.

Consolidation

The consolidated financial statements include the accounts of Ednovate, Inc. and its wholly owned subsidiary, PMC Support Corporation (a California nonprofit public benefit corporation formed exclusively to support Ednovate Inc.), and its single member limited liability company subsidiaries: PMC Vermont LLC; PMC North Mission Road LLC; PMC 17th Street LLC, and PMC Atlantic LLC. All material intercompany transactions have been eliminated.

Evaluation of Subsequent Events

The School has evaluated subsequent events through November 25, 2023, the date these consolidated financial statements were available to be issued.

Leases

The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. If a lease does not provide an implicit rate, the School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statement of financial position.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The School's lease agreements do not contain any material residual value guarantees.

In evaluating contracts to determine if they qualify as a lease, the School considers factors such as if the School has obtained substantially all of the rights to the underlying asset through exclusivity, if the School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

The School elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, the School elected the hindsight practical expedient to determine the lease term for existing leases. The election of the hindsight practical expedient resulted in the shortening of the lease term for the existing lease and the useful life of the corresponding leasehold improvements.

As a result of the adoption of the new lease accounting guidance, the School recognized on July 1, 2022 a ROU asset at the carrying amount of the operating lease asset of \$8,914,319. The School also recognized on July 1, 2022 a lease liability of \$9,722,961, which represents the present value of the remaining finance lease payments discounted using the a risk-free rate of 3.09%.

The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

NOTE 3 CONCENTRATION OF CREDIT RISK

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The School's cash in bank deposit accounts that at times may exceed federally insured limits. The School has not experienced any losses in such accounts. And management believes the School is not exposed to any significant risk related to cash.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statements of financial position date. Financial assets available for general expenditures are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 25,999,858	\$ 16,529,213
Accounts Receivable	7,164,996	8,718,576
Total	<u>\$ 33,164,854</u>	<u>\$ 25,247,789</u>

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

NOTE 5 RESTRICTED CASH AND CASH EQUIVALENTS

The School's restricted cash and cash equivalents as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash Pledged as Security for Notes Payable	\$ -	\$ 125,000
Cash Held for Bond Reserve	944,911	1,064,494
Total	<u>\$ 944,911</u>	<u>\$ 1,189,494</u>

NOTE 6 FIXED ASSETS

Fixed assets at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Construction in Progress	\$ 269,715	\$ 8,344,760
Land and Improvements	10,171,207	10,171,207
Buildings and Improvements	53,097,590	40,364,199
Equipment	1,137,683	911,008
Furniture and Fixtures	653,261	228,326
Subtotal	<u>65,329,456</u>	<u>60,019,500</u>
Less: Accumulated Depreciation and Amortization	<u>(5,706,715)</u>	<u>(4,374,901)</u>
Total Property and Equipment	<u>\$ 59,622,741</u>	<u>\$ 55,644,599</u>

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 LONG-TERM INTERCOMPANY RECEIVABLES

Ednovate, Inc. on behalf of USC Hybrid, entered into a loan agreement with NMTC Ednovate Hybrid High Investment Fund, LLC, in which Ednovate, Inc. shall lend NMTC Ednovate Hybrid High Investment Fund, LLC \$1,675,000, with an interest rate of 1.00%. The loan has a maturity date of October 6, 2047. At June 30, 2023, the remaining balance was \$1,675,000.

Ednovate, Inc. on behalf of East, entered into a loan agreement with Twain Investment Fund 316, LLC, in which Ednovate, Inc. and East shall lend Twain Investment Fund 316, LLC a total of \$2,700,000, with an interest rate of 1.00%. The loan has a maturity date of October 10, 2048. At June 30, 2023, the remaining balance was \$2,700,000.

Each of these notes was used by the borrower to lend to an LLC of which PMC is the sole member. As such these notes receivable and the corresponding LLC note payable has been eliminated in the consolidated financial statements.

East, Legacy, and Brio each have contributions receivable from the Support Team for \$500,000, \$1,200,000, and \$185,000, respectively. The collective remaining balance as of June 30, 2023 was \$1,131,000. These contributions receivable are to be paid over the next ten years and, as intercompany transactions, have been eliminated in the consolidated financial statements.

Future maturities of intercompany receivables are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 188,500
2025	188,500
2026	188,500
2027	188,500
2028	188,500
Thereafter	4,563,500
Total	<u>\$ 5,506,000</u>

NOTE 8 LONG-TERM DEBT

Long-term debt as of June 30 is comprised of the following:

<u>Description</u>	<u>Site</u>	<u>Balance at June 30, 2023</u>	<u>Balance at June 30, 2022</u>
\$2,000,000 unsecured note payable at 2.75% due on December 31, 2024.	Support Team	\$ 1,700,000	\$ 2,000,000
\$10,628,000 construction to permanent secured loan bearing interest at 3.14% maturing on September 1, 2026.	Atlantic LLC	\$ 8,513,974	\$ 3,901,138
\$2,695,000 unsecured construction loan payable at 2.0% maturing on October 6, 2024.	Atlantic LLC	2,695,000	2,695,000
\$250,000 unsecured revolving loan payable at .39% maturing on January 31, 2025.	South LA	125,000	187,500

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 LONG-TERM DEBT (CONTINUED)

Description	Site	Balance at June 30, 2023	Balance at June 30, 2022
\$2,192,400 unsecured construction loan at 2.0% maturing on October 10, 2025.	East	1,855,408	1,949,712
\$250,000 unsecured revolving loan payable at 1.12% maturing on March 31, 2023.	Brio	-	50,000
\$250,000 unsecured revolving loan payable at 1.12% maturing on March 31, 2023.	Esparanza	-	50,000
\$700,000 unsecured note payable at 1.0%, maturing on October 6, 2024.	USC Hybrid	-	352,564
Three \$15,675,000 NMTC loan agreements secured by a deed of trust and assignment of leases and rents. The loans bear interest at 4.07% and mature on October 6, 2024 and October 6, 2047.	Vermont LLC	15,675,000	15,675,000
Three \$15,690,000 NMTC loan agreements secured by a deed of trust and assignment of leases and rents. The loans bear interest at 4.30% and mature on October 10, 2025 and October 10, 2048 (see Note 9).	N Mission Rd LLC	15,690,000	15,690,000
\$15,155,000 bonds payable secured by a deed of trust and assignment of rents. The bonds are recorded at a premium and net of costs of issuance. The bonds bear interest at 5.0% and mature on June 1, 2056 (see Note 9).	17th Street LLC	14,760,000	14,935,000
Unamortized bond premium		518,563	543,282
Unamortized costs of issuance		(519,491)	(544,241)
Subtotal		61,013,454	57,484,955
Less: Eliminations		(4,375,000)	(4,375,000)
Total		<u>\$ 56,638,454</u>	<u>\$ 53,109,955</u>

Future maturities for long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 1,029,590
2025	11,644,176
2026	11,953,623
2027	7,093,587
2028	562,257
Thereafter	24,356,149
Bond Premium	518,563
Costs of Issuance	(519,491)
Total	<u>\$ 56,638,454</u>

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 NEW MARKETS TAX CREDIT

The School, through its special purpose entities entered into New Markets Tax Credit financing arrangements in which two special purpose entity LLCs obtained financing in order to acquire, construct, and or remodel facilities for two of Ednovate’s charter schools. The financing agreements require interest only payments for the first seven years, then after the seven-year period, have balloon payments and/or amortized principal and interest payments through maturity. The leases are structured so that the lease payments made by the individual school sites pay the debt service on the notes payable and additional reserves that are required by the financing agreement covenants or to maintain the properties. The financing and related leases are designed with the expectation that after the initial seven-year interest only period, the notes payable will be refinanced and that the leases will be rewritten to align with the refinanced debt service requirements.

The intercompany components of these transactions have been eliminated in the consolidated financial statements but can be seen in the supplementary schedules showing the financial statements of the individual schools and LLCs.

The special purpose entity lessor, financing amount, seven-year interest only period expiration and school involved in each New Markets Tax Credit transaction as of June 30, 2023 and 2022 are as follows:

<u>Special Purpose Lessor</u>	<u>Financing Amount</u>	<u>Interest Only Period Ends</u>	<u>Lease with School Site</u>
PMC Vermont LLC	\$ 15,675,000	Sept. 1, 2024	USC Hybrid
PMC North Mission Road LLC	15,690,000	Oct. 10, 2025	East

NOTE 10 PAYCHECK PROTECTION PROGRAM LOAN

On May 13, 2020, the School received a loan from a financial institution in the amount of \$2,813,265 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 24 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.

On July 1, 2021 the School’s PPP Loan in the amount of \$2,813,265 was forgiven by the Small Business Administration along with \$31,755 in accrued interest.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School’s financial position.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 LINE OF CREDIT

In June 2020, the School obtained a \$3,000,000 line of credit to assist with cash flow needs. The note bears a variable interest rate of 4.5% plus the interest rate on one year U.S. Treasury Bills (as of June 30, 2023 the applicable interest rate was 4.75%). The entire balance is due at maturity on November 1, 2023. There was no outstanding balance as of June 30, 2023 and 2022.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Subject to Specific Purpose:		
Child Nutrition Program	\$ 96,768	\$ -
Curriculum Development	159,963	295,584
Special Education	-	560,928
Total Subject to Specific Purpose	<u>256,731</u>	<u>856,512</u>
Subject to Passage of Time	-	50,000
Total Net Assets with Donor Restrictions	<u>\$ 256,731</u>	<u>\$ 906,512</u>

Net assets released from restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Subject to Specific Purpose:		
Annual Staff Event	\$ -	\$ 14,837
Curriculum Development	135,621	91,916
Special Education	560,928	295,447
Total Subject to Specific Purpose	<u>696,549</u>	<u>402,200</u>
Subject to Passage of Time	50,000	50,000
Total Net Assets Released from Restrictions	<u>\$ 746,549</u>	<u>\$ 452,200</u>

NOTE 13 LEASES

ASC 842

The School leases equipment as well as certain facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2055 and some provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined payment schedules. Additionally, the agreements generally require the School to pay real estate taxes, insurance, and repairs. Some lease agreements also require the School to comply with certain covenants and to maintain certain financial ratios. As of June 30, 2023, the School believes it was in compliance with all ratios and covenants.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 LEASES (CONTINUED)

ASC 842 (Continued)

The following table provides quantitative information concerning the School's leases for the year ended June 30, 2023:

Lease Cost

Operating lease cost	\$ 1,663,606
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Other Information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 1,595,367
Right-of-use assets obtained in exchange for new operating lease liabilities:	\$ 9,442,309
Weighted-average remaining lease term - operating leases	25.4 years
Weighted-average discount rate - operating leases	3.09%

The School classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>
2024	\$ 1,682,847
2025	461,407
2026	329,806
2027	333,137
2028	318,661
Thereafter	9,692,218
Total	<u>12,818,076</u>
(Less) Imputed Interest	<u>(4,372,413)</u>
Total Lease Liability	<u>\$ 8,445,663</u>
Lease Liability, Current Portion	\$ 1,446,842
Lease Liability, Net of Current Portion	<u>6,998,821</u>
Total Lease Liability	<u>\$ 8,445,663</u>

ASC 840

The School has various has operating leases for the school sites and office space. Rent expense (net of eliminations) for the year ended June 30, 2022 was \$1,647,647.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 LEASES (CONTINUED)

ASC 840 (Continued)

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 2,093,541
2023	1,545,389
2024	352,608
2025	247,766
2024	252,101
Thereafter	9,943,696
Total	<u>\$ 14,435,101</u>

NOTE 14 EMPLOYEE RETIREMENT

403(b) Plan

The School has a 403(b) defined contribution plan for those employees who meet the eligibility criteria set forth in the plan. The School matches employee contributions based upon criteria set forth in the plan up to percentage of compensation. The School's matching contributions to the plan for the year ended June 30, 2023 totaled \$257,339.

State Teachers' Retirement System (STRS)

Qualified employees of USC Hybrid are covered under multi-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of the State Teachers' Retirement System (STRS). The risks of participating in this multi-employer defined benefit pension plan 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 detailed in Teachers' Retirement Law, and (c) if the Academy chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer 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, 2022 total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6.513 billion, and the plan is 74.4% funded. The School did not contribute more than 5% of the total contributions to the plan.

EDNOVATE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 14 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Plan Description (Continued)

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

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The School 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, 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

<u>Year Ended June 30,</u>	<u>STRS Required Contribution</u>	<u>STRS Percent Contributed</u>
2021	\$ 308,597	100%
2022	337,899	100%
2023	406,932	100%

NOTE 15 COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

The School 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 reimbursement, if required, would not be material.

NOTE 16 RELATED PARTIES

One of the School's board members during the fiscal year ended June 30, 2023 works at Charter School Growth Fund (CSGF) from which the School has loan financing with balances of \$1,700,000 and \$2,000,000 as of June 30, 2023 and 2022, respectively and interest payments of \$55,000 and \$50,469 for the years ended June 30, 2023 and 2022, respectively. The School received grants from CSGF in the amount of \$32,825 and \$342,424 for the years ended June 30, 2023 and 2022, respectively. The School also has conditional grants from Charter School Growth Fund totaling \$2,780,000 as of 2023 and 2022 to be received and recognized in future years as milestones are met.

EDNOVATE, INC.
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)
UNAUDITED

Organization

Ednovate, Inc. (the School) operates five Charter Schools:

- USC Hybrid High School (Charter Number 1401) was granted on December 6, 2011, by the Los Angeles Unified School District.
- East College Prep (Charter Number 1702) was granted on June 10, 2014, by the Los Angeles Unified School District.
- Legacy College Prep (Charter Number 1798) was granted on February 10, 2015, by the Orange County Department of Education.
- Brio College Prep (Charter Number 1843) was granted on April 12, 2016, by Los Angeles Unified School District, and Esperanza College Prep (Charter Number 1842) was granted on April 12, 2016, by Los Angeles Unified School District.
- South Los Angeles (Charter Number 2087) was granted on April 2, 2019, by Los Angeles Unified School District.

Governing Board

<u>Member</u>	<u>Office</u>	<u>2-Year Term Expires</u>
Pauline Fischer	Chair	June 2024
Elliot Sainer	Vice Chair	June 2024
Marcia Aaron	Member	June 2023*
Robin Romans	Member	October 2024
Kyle Salyer	Member	May 2025
Ana Martinez Shropshire	Member	February 2025
Kate Hirsh	Member	June 2023
Tammy Anderson	Member	September 2023
Michael Porter	Member	December 2024

Administration

Oliver Sicat	Chief Executive Officer
Katherine Hart	Chief Operating Officer
Olumide Macaulay	Chief of Schools
Kara Maguire	Chief of Staff
Kyle Goss	Chief Financial Officer

*Marcia Aaron left the board as of February 2023

EDNOVATE, INC.
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Second Period Report		Annual Report	
	Classroom Based ADA	Total ADA	Classroom Based ADA	Total ADA
USC Hybrid High School Grades 9-12	476.16	483.91	467.52	477.56
East College Prep Grades 9-12	304.74	312.37	302.79	314.09
Legacy College Prep Grades 9-12	342.44	350.08	345.13	353.59
Brio College Prep Grades 9-12	433.42	440.53	428.52	438.80
Esperanza College Prep Grades 9-12	456.89	459.04	453.38	460.08
South LA College Prep Grades 9-12	297.18	299.76	292.81	300.55
Total ADA	2,310.83	2,345.69	2,290.15	2,344.67

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Grade Level	Minutes Requirement	Actual Minutes	Number of Days Traditional Calendar	Status
USC Hybrid High School				
Grades 9 - 12	64,800			
Grade 9		66,130	180	In Compliance
Grade 10		66,130	180	In Compliance
Grade 11		66,130	180	In Compliance
Grade 12		66,130	180	In Compliance
East College Prep				
Grades 9 - 12	64,800			
Grade 9		66,130	180	In Compliance
Grade 10		66,130	180	In Compliance
Grade 11		66,130	180	In Compliance
Grade 12		66,130	180	In Compliance
Legacy College Prep				
Grades 9 - 12	64,800			
Grade 9		66,130	180	In Compliance
Grade 10		66,130	180	In Compliance
Grade 11		66,130	180	In Compliance
Grade 12		66,130	180	In Compliance
Brio College Prep				
Grades 9 - 12	64,800			
Grade 9		66,130	180	In Compliance
Grade 10		66,130	180	In Compliance
Grade 11		66,130	180	In Compliance
Grade 12		66,130	180	In Compliance
Esperanza College Prep				
Grades 9 - 12	64,800			
Grade 9		66,845	180	In Compliance
Grade 10		66,845	180	In Compliance
Grade 11		66,845	180	In Compliance
Grade 12		66,845	180	In Compliance
South LA College Prep				
Grades 9 - 12	64,800			
Grade 9		66,130	180	In Compliance
Grade 10		66,130	180	In Compliance
Grade 11		66,130	180	In Compliance

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>USC Hybrid</u>	<u>East</u>	<u>Legacy</u>	<u>Brio</u>	<u>Esperanza</u>	<u>South LA</u>
June 30, 2023 Annual Financial Report Fund Balances (Net Assets)	\$ 8,066,075	\$ 1,801,648	\$ 2,458,834	\$ 1,936,817	\$ 4,899,681	\$ 587,513
Adjustments and Reclassifications:						
Increase (Decrease) of Fund Balance (Net Assets):						
Accounts Receivable	-	178,526	-	-	-	-
Prepaid Expenses and Other Assets	(33,800)	(178,526)	-	-	-	-
Right of Use Asset - Operating Property, Plant, and Equipment, Net	109,350	71,245	32,399	26,492	(26,492)	29,341
Capital Contribution	25,000	-	-	-	7,881	(45,950)
Accounts Payable and Accrued Liabilities	-	-	(35,349)	-	1,002,671	2,895
Operating Lease Liability	(109,350)	(71,246)	2,950	(26,492)	(1,001,767)	(32,234)
Net Adjustments and Reclassifications	<u>(8,800)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(17,707)</u>	<u>(45,948)</u>
June 30, 2023 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 8,057,275</u>	<u>\$ 1,801,647</u>	<u>\$ 2,458,834</u>	<u>\$ 1,936,817</u>	<u>\$ 4,881,974</u>	<u>\$ 541,565</u>

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Additional Award Information	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education				
Passed-through California Department of Education (CDE):				
Title I, Part A - Basic Grants Low Income and Neglected	84.010		14981	\$ 1,074,621
Title II, Part A - Improving Teacher Quality Local Grants	84.367		14341	104,488
Title III, English Learner Student Program	84.365		14346	50,853
Title IV, Part A - Student Support and Academic Achievement	84.424		15396	72,461
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027		13379	538,509
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):				
Expanded Learning Opportunities (ELO) Grant	84.425C	COVID-19	15619	548,590
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	COVID-19	15559	2,297,323
Total CARES Act				<u>2,845,913</u>
Total Passed-through CDE				<u>4,686,845</u>
Charter Schools Grant Program	84.282M		N/A	798,633
Total U.S. Department of Education				<u>5,485,478</u>
U.S. Department of Agriculture				
Passed-through CDE:				
Child Nutrition Cluster:				
School Breakfast Program	10.553		13526	62,438
National School Lunch Program	10.555		13524	563,536
Total Child Nutrition Cluster				<u>625,974</u>
Total U.S. Department of Agriculture				<u>625,974</u>
Total Expenditures of Federal Awards				<u>\$ 6,114,522</u>

N/A - Not applicable or not available

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Ednovate	PMC Support Corporation	Eliminations	Consolidated Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 24,601,231	\$ 1,398,627	\$ -	\$ 25,999,858
Accounts Receivable	7,164,996	-	-	7,164,996
Intercompany Receivable	43,187	25,587	(68,774)	-
Prepaid Expenses	1,132,817	41,500	(208,661)	965,656
Total Current Assets	<u>32,942,231</u>	<u>1,465,714</u>	<u>(277,435)</u>	<u>34,130,510</u>
NONCURRENT ASSETS				
Restricted Cash and Cash Equivalents	-	944,911	-	944,911
Long-Term Intercompany Receivable	4,375,000	-	(4,375,000)	-
Capital Contribution	5,611,700	-	(5,611,700)	-
Deferred Rent Asset	-	3,012,078	(3,012,078)	-
Security Deposit	-	-	-	-
Right of Use Asset - Operating	42,734,815	6,279,053	(40,967,087)	8,046,781
Property and Equipment	2,291,761	57,330,980	-	59,622,741
Total Noncurrent Assets	<u>55,013,276</u>	<u>67,567,022</u>	<u>(53,965,865)</u>	<u>68,614,433</u>
Total Assets	<u>\$ 87,955,507</u>	<u>\$ 69,032,736</u>	<u>\$ (54,243,300)</u>	<u>\$ 102,744,943</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 2,070,515	\$ 1,010,227	\$ -	\$ 3,080,742
Intercompany Payable	25,587	43,187	(68,774)	-
Deferred Revenue	8,614,625	208,661	(208,661)	8,614,625
Current Portion of Operating Lease Liability	3,465,058	35,868	(2,054,084)	1,446,842
Current Portion of Long-Term Debt	483,757	545,833	-	1,029,590
Total Current Liabilities	<u>14,659,542</u>	<u>1,843,776</u>	<u>(2,331,519)</u>	<u>14,171,799</u>
LONG-TERM LIABILITIES				
Deferred Rent Liability	-	-	-	-
Noncurrent Portion of Operating Lease Liability	42,353,407	6,570,495	(41,925,081)	6,998,821
Noncurrent Portion of Long-Term Debt	3,196,651	56,787,213	(4,375,000)	55,608,864
Total Long-Term Liabilities	<u>45,550,058</u>	<u>63,357,708</u>	<u>(46,300,081)</u>	<u>62,607,685</u>
Total Liabilities	60,209,600	65,201,484	(48,631,600)	76,779,484
NET ASSETS				
Without Donor Restrictions	27,489,176	3,831,252	(5,611,700)	25,708,728
With Donor Restrictions	256,731	-	-	256,731
Total Net Assets	<u>27,745,907</u>	<u>3,831,252</u>	<u>(5,611,700)</u>	<u>25,965,459</u>
Total Liabilities and Net Assets	<u>\$ 87,955,507</u>	<u>\$ 69,032,736</u>	<u>\$ (54,243,300)</u>	<u>\$ 102,744,943</u>

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Ednovate	PMC Support Corporation	Eliminations	Consolidated Total
REVENUES, WITHOUT DONOR RESTRICTIONS				
Local Control Funding Formula	\$ 36,589,930	\$ -	\$ -	\$ 36,589,930
Federal Revenue	6,111,452	-	-	6,111,452
Other State Revenue	6,369,556	-	-	6,369,556
Interest Revenue	53,217	43,282	-	96,499
Contributions and Fundraising	1,513,970	-	-	1,513,970
Rent Revenue	-	3,927,895	(3,927,895)	-
Other Revenue	8,178	-	-	8,178
Net Assets Released from Restrictions	746,549	-	-	746,549
Total Revenues	<u>51,392,852</u>	<u>3,971,177</u>	<u>(3,927,895)</u>	<u>51,436,134</u>
EXPENSES				
Program Services	41,223,797	3,213,680	(3,927,895)	40,509,582
Management and General	6,401,198	326,968	-	6,728,166
Fundraising	195,132	-	-	195,132
Total Expenses	<u>47,820,127</u>	<u>3,540,648</u>	<u>(3,927,895)</u>	<u>47,432,880</u>
CHANGE IN NET ASSETS, WITHOUT DONOR RESTRICTIONS				
	3,572,725	430,529	-	4,003,254
Net Assets Without Donor Restriction - Beginning of Year	<u>23,916,451</u>	<u>3,400,723</u>	<u>(5,611,700)</u>	<u>21,705,474</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 27,489,176</u>	<u>\$ 3,831,252</u>	<u>\$ (5,611,700)</u>	<u>\$ 25,708,728</u>
REVENUES, WITH DONOR RESTRICTIONS				
Other State Revenue	\$ 96,768	\$ -	\$ -	\$ 96,768
Net Assets Released from Restrictions	<u>(746,549)</u>	<u>-</u>	<u>-</u>	<u>(746,549)</u>
CHANGE IN NET ASSETS, WITH DONOR RESTRICTIONS				
	(649,781)	-	-	(649,781)
Net Assets With Donor Restrictions - Beginning of Year	<u>906,512</u>	<u>-</u>	<u>-</u>	<u>906,512</u>
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	<u>\$ 256,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,731</u>
TOTAL CHANGE IN NET ASSETS	\$ 2,922,944	\$ 430,529	\$ -	\$ 3,353,473
Total Net Assets - Beginning of Year	<u>24,822,963</u>	<u>3,400,723</u>	<u>(5,611,700)</u>	<u>22,611,986</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 27,745,907</u>	<u>\$ 3,831,252</u>	<u>\$ (5,611,700)</u>	<u>\$ 25,965,459</u>

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Ednovate			PMC Support Corporation			Eliminations	Consolidated Total			
	Program	Management and General	Fundraising	Program	Management and General	Fundraising		Program	Management and General	Fundraising	Total
Salaries and Benefits	\$ 20,585,310	\$ 3,148,100	\$ 162,836	\$ -	\$ -	\$ -	\$ -	\$ 20,585,310	\$ 3,148,100	\$ 162,836	\$ 23,896,246
Professional Services	5,394,566	1,046,264	-	-	60,386	-	-	5,394,566	1,106,650	-	6,501,216
Advertising and Promotion	-	400,120	-	-	-	-	-	-	400,120	-	400,120
Occupancy	9,968,488	320,769	16,592	329,051	-	-	(3,927,895)	6,369,644	320,769	16,592	6,707,005
Office Expenses	918,973	543,959	-	-	1,905	-	-	918,973	545,864	-	1,464,837
Insurance	-	215,632	-	-	-	-	-	-	215,632	-	215,632
Travel	197,811	54,680	-	-	5,700	-	-	197,811	60,380	-	258,191
Interest	-	92,616	-	1,811,638	242,468	-	-	1,811,638	335,084	-	2,146,722
Depreciation	251,583	6,857	355	1,072,991	-	-	-	1,324,574	6,857	355	1,331,786
Student Nutrition	911,023	97,487	-	-	10,168	-	-	911,023	107,655	-	1,018,678
Instructional Materials	989,823	-	-	-	-	-	-	989,823	-	-	989,823
Other Expenses	2,006,220	474,714	15,349	-	6,341	-	-	2,006,220	481,055	15,349	2,502,624
Total Functional Expenses	\$ 41,223,797	\$ 6,401,198	\$ 195,132	\$ 3,213,680	\$ 326,968	\$ -	\$ (3,927,895)	\$ 40,509,582	\$ 6,728,166	\$ 195,132	\$ 47,432,880

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Ednovate	PMC Support Corporation	Eliminations	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ 2,922,944	\$ 430,529	\$ -	\$ 3,353,473
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:				
Depreciation	258,795	1,072,991	-	1,331,786
Loss on Disposal of Property and Equipment	6,611	-	-	6,611
Amortization of Debt Issue Costs, Premium/Discount	-	45	-	45
Changes in Operating Assets and Liabilities:				
Accounts Receivable	1,553,406	174	-	1,553,580
Intercompany Receivable	2,662,411	2,350,833	(5,013,244)	-
Prepaid Expenditures	(501,103)	-	208,661	(292,442)
Deferred Rent Asset	-	(687,841)	687,841	-
Right of Use Asset - Operating	(42,734,815)	(6,279,053)	40,967,087	(8,046,781)
Accounts Payable	(669,382)	(174,289)	-	(843,671)
Intercompany Payable	(2,350,832)	(2,662,412)	5,013,244	-
Deferred Revenue	5,949,745	95,911	(208,661)	5,836,995
Operating Lease Liability	45,818,465	6,606,363	(43,979,165)	8,445,663
Deferred Rent Liability	(2,424,060)	(231,289)	2,324,237	(331,112)
Net Cash Provided (Used) by Operating Activities	<u>10,492,185</u>	<u>521,962</u>	<u>-</u>	<u>11,014,147</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment	(902,228)	(4,414,311)	-	(5,316,539)
Net Cash Provided (Used) by Investing Activities	<u>(902,228)</u>	<u>(4,414,311)</u>	<u>-</u>	<u>(5,316,539)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan Proceeds	-	4,612,836	-	4,612,836
Loan Principal Payments	(909,382)	(175,000)	-	(1,084,382)
Net Cash Provided (Used) by Financing Activities	<u>(909,382)</u>	<u>4,437,836</u>	<u>-</u>	<u>3,528,454</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>8,680,575</u>	<u>545,487</u>	<u>-</u>	<u>9,226,062</u>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	15,920,656	1,798,051	-	17,718,707
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 24,601,231</u>	<u>\$ 2,343,538</u>	<u>\$ -</u>	<u>\$ 26,944,769</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH				
Cash and Cash Equivalents	\$ 24,601,231	\$ 1,398,627	\$ -	\$ 25,999,858
Restricted Cash and Cash Equivalents	-	944,911	-	944,911
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 24,601,231</u>	<u>\$ 2,343,538</u>	<u>\$ -</u>	<u>\$ 26,944,769</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid for Interest (Net of Capitalized Interest)	<u>\$ 92,616</u>	<u>\$ 1,996,613</u>	<u>\$ -</u>	<u>\$ 2,089,229</u>

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
STATEMENT OF FINANCIAL POSITION – EDNOVATE, INC. BY CHARTER SCHOOL
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>USC Hybrid</u>	<u>East</u>	<u>Legacy</u>	<u>Brio</u>	<u>Esperanza</u>	<u>South LA</u>	<u>Support Team</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS									
Cash and Cash Equivalents	\$ 8,018,551	\$ 2,693,733	\$ 1,533,629	\$ 2,425,242	\$ 4,866,805	\$ 405,715	\$ 4,657,556	\$ -	\$ 24,601,231
Accounts Receivable	1,147,700	844,954	1,424,545	995,003	1,139,303	792,232	821,259	-	7,164,996
Intercompany Receivable	-	50,000	120,000	18,500	-	-	43,502	(188,815)	43,187
Prepaid Expenses	173,302	139,056	91,897	290,436	225,267	11,597	71,262	-	1,132,817
Total Current Assets	<u>9,339,553</u>	<u>3,727,743</u>	<u>3,170,071</u>	<u>3,729,181</u>	<u>6,231,375</u>	<u>1,339,544</u>	<u>5,593,579</u>	<u>(188,815)</u>	<u>32,942,231</u>
NONCURRENT ASSETS									
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	-	-
Long-Term Intercompany Receivable	1,675,000	2,492,400	720,000	111,000	-	-	507,600	(1,131,000)	4,375,000
Capital Contribution	25,000	-	-	-	-	-	5,586,700	-	5,611,700
Deferred Rent Asset	-	-	-	-	-	-	-	-	-
Security Deposit	-	-	-	-	-	-	-	-	-
Right of Use Asset - Operating	4,904,205	16,152,515	15,852,695	1,385,499	4,386,044	36,196	17,661	-	42,734,815
Property and Equipment, Net	476,448	562,024	232,662	71,658	654,011	31,575	263,383	-	2,291,761
Total Noncurrent Assets	<u>7,080,653</u>	<u>19,206,939</u>	<u>16,805,357</u>	<u>1,568,157</u>	<u>5,040,055</u>	<u>67,771</u>	<u>6,375,344</u>	<u>(1,131,000)</u>	<u>55,013,276</u>
Total Assets	<u>\$ 16,420,206</u>	<u>\$ 22,934,682</u>	<u>\$ 19,975,428</u>	<u>\$ 5,297,338</u>	<u>\$ 11,271,430</u>	<u>\$ 1,407,315</u>	<u>\$ 11,968,923</u>	<u>\$ (1,131,815)</u>	<u>\$ 87,955,507</u>
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts Payable and Accrued Liabilities	\$ 266,073	\$ 117,580	\$ 275,716	\$ 120,613	\$ 299,947	\$ 126,934	\$ 863,652	\$ -	\$ 2,070,515
Intercompany Payable	-	-	-	-	25,587	-	188,815	(188,815)	25,587
Deferred Revenue	2,084,188	1,328,200	1,172,535	1,782,837	1,669,245	577,620	-	-	8,614,625
Current Portion of Operating Lease Liability	544,660	126,517	458,814	1,300,627	1,022,056	8,249	4,135	-	3,465,058
Current Portion of Long-Term Debt	-	96,257	-	-	-	62,500	325,000	-	483,757
Total Current Liabilities	<u>2,894,921</u>	<u>1,668,554</u>	<u>1,907,065</u>	<u>3,204,077</u>	<u>3,016,835</u>	<u>775,303</u>	<u>1,381,602</u>	<u>(188,815)</u>	<u>14,659,542</u>
LONG-TERM OBLIGATIONS									
Deferred Rent Liability	-	-	-	-	-	-	-	-	-
Long-Term Intercompany Payable	-	-	-	-	-	-	1,131,000	(1,131,000)	-
Noncurrent Portion of Operating Lease Liability	5,468,010	17,705,330	15,609,529	156,444	3,372,621	27,947	13,526	-	42,353,407
Noncurrent Portion of Long-Term Debt	-	1,759,151	-	-	-	62,500	1,375,000	-	3,196,651
Total Long-Term Liabilities	<u>5,468,010</u>	<u>19,464,481</u>	<u>15,609,529</u>	<u>156,444</u>	<u>3,372,621</u>	<u>90,447</u>	<u>2,519,526</u>	<u>(1,131,000)</u>	<u>45,550,058</u>
Total Liabilities	<u>8,362,931</u>	<u>21,133,035</u>	<u>17,516,594</u>	<u>3,360,521</u>	<u>6,389,456</u>	<u>865,750</u>	<u>3,901,128</u>	<u>(1,131,815)</u>	<u>60,209,600</u>
NET ASSETS									
Without Donor Restrictions	8,035,700	1,780,289	2,366,310	1,936,817	4,881,974	530,254	7,957,832	-	27,489,176
With Donor Restrictions	21,575	21,358	92,524	-	-	11,311	109,963	-	256,731
Total Net Assets	<u>8,057,275</u>	<u>1,801,647</u>	<u>2,458,834</u>	<u>1,936,817</u>	<u>4,881,974</u>	<u>541,565</u>	<u>8,067,795</u>	<u>-</u>	<u>27,745,907</u>
Total Liabilities and Net Assets	<u>\$ 16,420,206</u>	<u>\$ 22,934,682</u>	<u>\$ 19,975,428</u>	<u>\$ 5,297,338</u>	<u>\$ 11,271,430</u>	<u>\$ 1,407,315</u>	<u>\$ 11,968,923</u>	<u>\$ (1,131,815)</u>	<u>\$ 87,955,507</u>

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
STATEMENT OF ACTIVITIES – EDNOVATE, INC. BY CHARTER SCHOOL
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	USC Hybrid	East	Legacy	Brio	Esperanza	South LA	Support Team	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTIONS									
Local Control Funding Formula	\$ 7,484,025	\$ 4,912,708	\$ 5,381,202	\$ 6,893,677	\$ 7,160,762	\$ 4,757,556	\$ -	\$ -	\$ 36,589,930
Federal Revenue	1,004,518	859,634	742,930	1,059,001	1,065,800	848,655	530,914	-	6,111,452
Other State Revenue	1,258,433	919,857	965,116	1,279,404	1,062,807	875,084	8,855	-	6,369,556
Interest Revenue	15,354	21,924	7,830	-	-	-	8,109	-	53,217
Contributions and Fundraising	80,986	57,680	78,944	113,621	113,895	38,086	1,241,744	(210,986)	1,513,970
Other Revenue	-	-	-	300	7,878	-	6,761,140	(6,761,140)	8,178
Net Assets Released from Restrictions	-	-	-	-	-	-	746,549	-	746,549
Total Revenues	9,843,316	6,771,803	7,176,022	9,346,003	9,411,142	6,519,381	9,297,311	(6,972,126)	51,392,852
EXPENSES									
Program Services Expense:									
Salaries and Benefits	3,996,794	2,869,296	2,792,491	3,474,024	3,542,798	2,305,396	1,604,511	-	20,585,310
Professional Services	957,987	667,139	659,105	990,858	747,173	749,850	622,454	-	5,394,566
Occupancy	1,480,583	1,657,386	1,393,533	2,191,785	1,891,669	1,190,093	163,439	-	9,968,488
Office Expenses	95,457	91,309	177,822	143,764	212,387	156,725	41,509	-	918,973
Travel	39,637	25,260	13,102	39,689	14,357	11,086	54,680	-	197,811
Depreciation	60,506	45,306	49,084	21,621	57,694	13,878	3,494	-	251,583
Student Nutrition	153,022	125,682	107,272	140,817	293,331	90,899	-	-	911,023
Instructional Materials	215,274	104,989	141,137	185,267	135,389	149,431	58,336	-	989,823
Intercompany CMO Fee	450,523	302,333	323,891	416,354	425,665	287,771	-	(2,206,537)	-
Other Expenses	335,603	186,849	244,477	315,488	407,068	515,564	212,157	(210,986)	2,006,220
Total Program Expenses	7,785,386	6,075,549	5,901,914	7,919,667	7,727,531	5,470,693	2,760,580	(2,417,523)	41,223,797
Management and General Expenses:									
Salaries and Benefits	-	-	-	-	-	-	3,148,100	-	3,148,100
Professional Services	-	-	273	1,849	205	1,538	1,042,399	-	1,046,264
Advertising and Promotion	38,796	35,538	82,567	30,559	39,909	45,903	126,848	-	400,120
Office Expenses	64,702	49,441	57,087	89,191	69,496	50,942	163,100	-	543,959
Insurance	44,689	29,355	27,602	42,060	42,937	28,040	949	-	215,632
Travel	-	-	-	-	-	-	54,680	-	54,680
Interest	3,053	38,787	-	412	412	689	49,263	-	92,616
Depreciation	-	-	-	-	-	-	6,857	-	6,857
Student Nutrition	-	-	-	-	-	-	97,487	-	97,487
Occupancy	-	-	-	-	-	-	320,769	-	320,769
Intercompany CMO Fee	884,209	593,366	635,675	817,146	835,420	564,786	-	(4,330,602)	-
Other Expenses	-	-	-	-	-	-	474,714	-	474,714
Total Management and General Expenses	1,035,449	746,487	803,204	981,217	988,379	691,898	5,485,166	(4,330,602)	6,401,198
Fundraising Expenses:									
Salaries and Benefits	-	-	-	-	-	-	162,836	-	162,836
Depreciation	-	-	-	-	-	-	355	-	355
Occupancy	-	-	-	-	-	-	16,592	-	16,592
Intercompany CMO Fee	45,736	30,692	32,880	42,267	43,212	29,214	-	(224,001)	-
Other Expenses	-	-	-	-	-	-	15,349	-	15,349
Total Fundraising Expenses	45,736	30,692	32,880	42,267	43,212	29,214	195,132	(224,001)	195,132
Total Expenses	8,866,571	6,852,728	6,737,998	8,943,151	8,759,122	6,191,805	8,440,878	(6,972,126)	47,820,127
CHANGE IN NET ASSETS, WITHOUT DONOR RESTRICTIONS	976,745	(80,925)	438,024	402,852	652,020	327,576	856,433	-	3,572,725
REVENUES, WITH DONOR RESTRICTIONS									
Other State Revenue	21,575	21,358	42,524	-	-	11,311	-	-	96,768
Net Assets Released from Restrictions	-	-	-	-	-	-	(746,549)	-	(746,549)
CHANGE IN NET ASSETS, WITH DONOR RESTRICTIONS	21,575	21,358	42,524	-	-	11,311	(746,549)	-	(649,781)
TOTAL CHANGE IN NET ASSETS	998,320	(59,567)	480,548	402,852	652,020	338,887	109,884	-	2,922,944
Total Net Assets, Beginning of Year	7,058,955	1,861,214	1,978,286	1,533,965	4,229,954	202,678	7,957,911	-	24,822,963
TOTAL NET ASSETS, END OF YEAR	\$ 8,057,275	\$ 1,801,647	\$ 2,458,834	\$ 1,936,817	\$ 4,881,974	\$ 541,565	\$ 8,067,795	\$ -	\$ 27,745,907

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
STATEMENT OF CASH FLOWS – EDNOVATE, INC. BY CHARTER SCHOOL
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	USC Hybrid	East	Legacy	Brio	Esperanza	South LA	Support Team	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Change in Net Assets	\$ 998,320	\$ (59,567)	\$ 480,548	\$ 402,852	\$ 652,020	\$ 338,887	\$ 109,884	\$ -	\$ 2,922,944
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:									
Depreciation	60,506	45,306	49,084	21,621	57,694	13,878	10,706	-	258,795
Loss on Disposal of Property and Equipment	490	-	167	-	-	5,954	-	-	6,611
Changes in Operating Assets and Liabilities:									
Accounts Receivable	536,630	(5,296)	(17,936)	493,354	67,797	(144,517)	623,374	-	1,553,406
Intercompany Receivable	-	-	(120,000)	55	-	-	2,854,292	(71,936)	2,662,411
Long-Term Intercompany Receivable	-	50,000	20,000	18,500	-	-	-	(188,500)	-
Prepaid Expenditures	(43,119)	(15,229)	(30,241)	(214,762)	(185,866)	(47,353)	35,467	-	(501,103)
Right of Use Asset - Operating	(4,904,205)	(16,152,515)	(15,852,695)	(1,385,499)	(4,386,044)	(36,196)	(17,661)	-	(42,734,815)
Accounts Payable	(393,842)	(138,770)	(57,129)	(169,061)	(73,505)	(30,702)	193,627	-	(669,382)
Intercompany Payable	-	-	(10,572)	-	25,587	(249,940)	(2,187,843)	71,936	(2,350,832)
Long-Term Intercompany Payable	-	-	-	-	-	-	(188,500)	188,500	-
Deferred Revenue	1,425,841	936,247	802,901	1,163,762	1,152,437	468,557	-	-	5,949,745
Operating Lease Liability	6,012,670	17,831,847	16,068,343	1,457,071	4,394,677	36,196	17,661	-	45,818,465
Deferred Rent Liability	(884,098)	(1,215,707)	(224,442)	(99,353)	-	-	(460)	-	(2,424,060)
Net Cash Provided by Operating Activities	2,809,193	1,276,316	1,208,028	1,688,540	1,704,797	354,764	1,450,547	-	10,492,185
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property and Equipment	(41,697)	(12,599)	(43,888)	(43,900)	(647,598)	-	(112,546)	-	(902,228)
Net Cash Used in Investing Activities	(41,697)	(12,599)	(43,888)	(43,900)	(647,598)	-	(112,546)	-	(902,228)
CASH FLOWS FROM FINANCING ACTIVITIES									
Loan Principal Payments	(352,564)	(94,304)	-	(50,008)	(50,008)	(62,498)	(300,000)	-	(909,382)
Net Cash Used in Financing Activities	(352,564)	(94,304)	-	(50,008)	(50,008)	(62,498)	(300,000)	-	(909,382)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	2,414,932	1,169,413	1,164,140	1,594,632	1,007,191	292,266	1,038,001	-	8,680,575
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	5,603,619	1,524,320	369,489	830,610	3,859,614	113,449	3,619,555	-	15,920,656
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF YEAR	<u>\$ 8,018,551</u>	<u>\$ 2,693,733</u>	<u>\$ 1,533,629</u>	<u>\$ 2,425,242</u>	<u>\$ 4,866,805</u>	<u>\$ 405,715</u>	<u>\$ 4,657,556</u>	<u>\$ -</u>	<u>\$ 24,601,231</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH									
Cash and Cash Equivalents	\$ 8,018,551	\$ 2,693,733	\$ 1,533,629	\$ 2,425,242	\$ 4,866,805	\$ 405,715	\$ 4,657,556	\$ -	\$ 24,601,231
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	-	-
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 8,018,551</u>	<u>\$ 2,693,733</u>	<u>\$ 1,533,629</u>	<u>\$ 2,425,242</u>	<u>\$ 4,866,805</u>	<u>\$ 405,715</u>	<u>\$ 4,657,556</u>	<u>\$ -</u>	<u>\$ 24,601,231</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION									
Cash Paid for Interest (Net of Capitalized Interest)	\$ 3,053	\$ 38,787	\$ -	\$ 412	\$ 412	\$ 689	\$ 49,263	\$ -	\$ 92,616

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
STATEMENT OF FINANCIAL POSITION – PMC SUPPORT CORP
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	17th St. LLC	N Mission Rd	Vermont LLC	Atlantic LLC	PMC	Eliminations	Total
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 164,592	\$ 408,438	\$ 141,123	\$ 605,447	\$ 79,027	\$ -	\$ 1,398,627
Intercompany Receivable	-	-	-	25,587	186,200	(186,200)	25,587
Prepaid Expenses	-	-	-	4,150	-	-	4,150
Total Current Assets	<u>164,592</u>	<u>408,438</u>	<u>141,123</u>	<u>672,534</u>	<u>265,227</u>	<u>(186,200)</u>	<u>1,465,714</u>
NONCURRENT ASSETS							
Restricted Cash and Cash Equivalents	944,911	-	-	-	-	-	944,911
Deferred Rent Asset	215,649	1,679,331	1,108,465	8,633	-	-	3,012,078
Right of Use Asset - Operating	-	-	-	6,279,053	-	-	6,279,053
Property and Equipment, Net	14,842,149	14,632,954	15,314,834	12,541,043	-	-	57,330,980
Total Noncurrent Assets	<u>16,002,709</u>	<u>16,312,285</u>	<u>16,423,299</u>	<u>18,828,729</u>	<u>-</u>	<u>-</u>	<u>67,567,022</u>
Total Assets	<u>\$ 16,167,301</u>	<u>\$ 16,720,723</u>	<u>\$ 16,564,422</u>	<u>\$ 19,501,263</u>	<u>\$ 265,227</u>	<u>\$ (186,200)</u>	<u>\$ 69,032,736</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 54,113	\$ 956,114	\$ -	\$ -	\$ 1,010,227
Intercompany Payable	136,200	50,000	-	43,187	-	(186,200)	43,187
Deferred Revenue	-	57,500	55,250	95,911	-	-	208,661
Current Portion of Operating Lease Liability	-	-	-	35,868	-	-	35,868
Current Portion of Long-Term Debt	185,000	-	-	360,833	-	-	545,833
Total Current Liabilities	<u>321,200</u>	<u>107,500</u>	<u>109,363</u>	<u>1,491,913</u>	<u>-</u>	<u>(186,200)</u>	<u>1,843,776</u>
LONG-TERM OBLIGATIONS							
Noncurrent Portion of Operating Lease Liability	-	-	-	6,570,495	-	-	6,570,495
Noncurrent Portion of Long-Term Debt	14,574,072	15,690,000	15,675,000	10,848,141	-	-	56,787,213
Total Long-Term Liabilities	<u>14,574,072</u>	<u>15,690,000</u>	<u>15,675,000</u>	<u>17,418,636</u>	<u>-</u>	<u>-</u>	<u>63,357,708</u>
Total Liabilities	<u>14,895,272</u>	<u>15,797,500</u>	<u>15,784,363</u>	<u>18,910,549</u>	<u>-</u>	<u>(186,200)</u>	<u>65,201,484</u>
NET ASSETS							
Without Donor Restrictions	1,272,029	923,223	780,059	590,714	265,227	-	3,831,252
Total Liabilities and Net Assets	<u>\$ 16,167,301</u>	<u>\$ 16,720,723</u>	<u>\$ 16,564,422</u>	<u>\$ 19,501,263</u>	<u>\$ 265,227</u>	<u>\$ (186,200)</u>	<u>\$ 69,032,736</u>

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
STATEMENT OF ACTIVITIES – PMC SUPPORT CORP
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	17th St. LLC	N Mission Rd	Vermont LLC	Atlantic LLC	PMC	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTION							
Interest Revenue	\$ 43,088	\$ -	\$ 49	\$ 118	\$ 27	\$ -	\$ 43,282
Contributions and Fundraising	-	-	-	-	50,000	(50,000)	-
Rent Revenue	919,885	1,153,624	887,367	967,019	-	-	3,927,895
Total Revenues	<u>962,973</u>	<u>1,153,624</u>	<u>887,416</u>	<u>967,137</u>	<u>50,027</u>	<u>(50,000)</u>	<u>3,971,177</u>
EXPENSES							
Program Services Expense:							
Occupancy	-	-	-	329,051	-	-	329,051
Interest	602,418	593,710	560,892	54,618	-	-	1,811,638
Depreciation	352,562	327,983	311,536	80,910	-	-	1,072,991
Total Program Expenses	<u>954,980</u>	<u>921,693</u>	<u>872,428</u>	<u>464,579</u>	<u>-</u>	<u>-</u>	<u>3,213,680</u>
Management and General Expenses:							
Professional Services	4,998	32,456	998	998	20,936	-	60,386
Office Expenses	-	-	-	-	1,905	-	1,905
Travel	-	-	-	-	5,700	-	5,700
Interest	82,148	80,960	76,485	2,875	-	-	242,468
Student Nutrition	-	-	-	-	10,168	-	10,168
Other Expenses	19	50,339	58	20	5,905	(50,000)	6,341
Total Management and General Expenses	<u>87,165</u>	<u>163,755</u>	<u>77,541</u>	<u>3,893</u>	<u>44,614</u>	<u>(50,000)</u>	<u>326,968</u>
Total Expenses	<u>1,042,145</u>	<u>1,085,448</u>	<u>949,969</u>	<u>468,472</u>	<u>44,614</u>	<u>(50,000)</u>	<u>3,540,648</u>
CHANGE IN NET ASSETS	(79,172)	68,176	(62,553)	498,665	5,413	-	430,529
Net Assets Without Donor Restrictions - Beginning of Year	<u>1,351,201</u>	<u>855,047</u>	<u>842,612</u>	<u>92,049</u>	<u>259,814</u>	<u>-</u>	<u>3,400,723</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 1,272,029</u>	<u>\$ 923,223</u>	<u>\$ 780,059</u>	<u>\$ 590,714</u>	<u>\$ 265,227</u>	<u>\$ -</u>	<u>\$ 3,831,252</u>

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
STATEMENT OF CASH FLOWS – PMC SUPPORT CORP
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	17th St. LLC	N Mission Rd	Vermont LLC	Atlantic LLC	PMC	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets	\$ (79,172)	\$ 68,176	\$ (62,553)	\$ 498,665	\$ 5,413	\$ -	\$ 430,529
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:							
Depreciation	352,562	327,983	311,536	80,910	-	-	1,072,991
Amortization of Debt Issue							
Costs, Premium/Discount	45	-	-	-	-	-	45
Changes in Operating Assets and Liabilities:							
Accounts Receivable	-	-	-	-	174	-	174
Intercompany Receivable	165,756	-	325,103	1,687,003	228,005	(55,034)	2,350,833
Deferred Rent Asset	8,783	(463,624)	(224,367)	(8,633)	-	-	(687,841)
Right of Use Asset - Operating	-	-	-	(6,279,053)	-	-	(6,279,053)
Accounts Payable	(62,229)	(57,924)	999	(52,457)	(2,678)	-	(174,289)
Intercompany Payable	(165,736)	(39,830)	(340,522)	(1,990,498)	(180,860)	55,034	(2,662,412)
Deferred Revenue	-	-	-	95,911	-	-	95,911
Operating Lease Liability	-	-	-	6,606,363	-	-	6,606,363
Deferred Rent Liability	-	-	-	(23,1289)	-	-	(23,1289)
Net Cash Provided (Used) by Operating Activities	<u>220,009</u>	<u>(165,219)</u>	<u>10,196</u>	<u>406,922</u>	<u>50,054</u>	<u>-</u>	<u>521,962</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Property and Equipment	-	-	-	(4,414,311)	-	-	(4,414,311)
Net Cash Used by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,414,311)</u>	<u>-</u>	<u>-</u>	<u>(4,414,311)</u>
CASH FLOWS FROM FINANCING ACTIVITIES							
Loan Proceeds	-	-	-	4,612,836	-	-	4,612,836
Loan Principal Payments	(175,000)	-	-	-	-	-	(175,000)
Net Cash Provided Flows from Financing Activities	<u>(175,000)</u>	<u>-</u>	<u>-</u>	<u>4,612,836</u>	<u>-</u>	<u>-</u>	<u>4,437,836</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	45,009	(165,219)	10,196	605,447	50,054	-	545,487
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>1,064,494</u>	<u>573,657</u>	<u>130,927</u>	<u>-</u>	<u>28,973</u>	<u>-</u>	<u>1,798,051</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF YEAR	<u>\$ 1,109,503</u>	<u>\$ 408,438</u>	<u>\$ 141,123</u>	<u>\$ 605,447</u>	<u>\$ 79,027</u>	<u>\$ -</u>	<u>\$ 2,343,538</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH							
Cash and Cash Equivalents	\$ 164,592	\$ 408,438	\$ 141,123	\$ 605,447	\$ 79,027	\$ -	\$ 1,398,627
Restricted Cash and Cash Equivalents	944,911	-	-	-	-	-	944,911
Total Cash, Cash Equivalents, and Restricted Cash	<u>1,109,503</u>	<u>408,438</u>	<u>141,123</u>	<u>605,447</u>	<u>79,027</u>	<u>-</u>	<u>2,343,538</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION							
Cash Paid for Interest (Net of Capitalized Interest)	<u>\$ 684,566</u>	<u>\$ 674,670</u>	<u>\$ 637,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,996,613</u>

See accompanying Note to Supplementary Information.

EDNOVATE, INC.
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This Schedule provides information about the school operated, members of the Board of Directors, and members of the administration.

Schedule of Instructional Time

This Schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of *Education Code*.

Schedule of Average Daily Attendance

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

Reconciliation of Annual Financial Report with Audited Financial Statements

This Schedule provides the information necessary to reconcile the net assets reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. The expenditures in the Schedule are recognized following the cost principles contained in the Uniform Guidance. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. The School has not elected to use the 10% de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Consolidating Statements of Financial Position, Activities, Functional Expenses and Cash Flows

These statements report the consolidating financial position, activities, functional expenses and cash flows for Ednovate and PMC Support Corporation.

Statements of Financial Position, Activities, and Cash Flows — Ednovate, Inc. by Charter School

These statements report the financial position, activities, and cash flows for each of Ednovate's charter schools as is required to be reported by the provisions of the California Education Code.

Statements of Financial Position, Activities, and Cash Flows — PMC Support Corp

These statements report the financial position, activities, and cash flows for PMC Support Corp and each of its single member LLCs.



**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
Ednovate, Inc.
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 of America, the consolidated financial statements of Ednovate, Inc. (the School), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

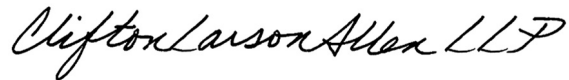
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
November 25, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Ednovate, Inc.
Los Angeles, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ednovate, Inc.'s (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

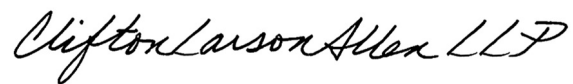
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Board of Directors
Ednovate, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



CliftonLarsonAllen LLP

Glendora, California
November 25, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER STATE COMPLIANCE

Board of Directors
Ednovate, Inc.
Los Angeles, California

Report on Compliance

Opinion on State Compliance

We have audited Ednovate, Inc.'s (the School) compliance with the types of compliance requirements applicable to the School described in the *2022-2023 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, 2023. The School's applicable state compliance requirements are identified in the table below.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that are applicable to the School for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the School'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 ¹
After/Before School Education and Safety Program	Not Applicable ²
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes

<u>Description</u>	<u>Procedures Performed</u>
Independent Study-Course Based	Not Applicable ³
Immunizations	Not Applicable ⁴
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable ⁵
Transitional Kindergarten	Not Applicable ⁶
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not applicable ⁷
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Not Applicable¹: The School did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable²: The School did not operate an after or before school program component of this grant.

Not Applicable³: The School did not report ADA pursuant to Education Code section 51749.5.

Not Applicable⁴: The School did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable⁵: The School did not receive a CTEIG allocation for the audit year.

Not Applicable⁶: The School did not report ADA for the audit year for transitional kindergarten.

Not Applicable⁷: The School did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

Report on Internal Control over Compliance

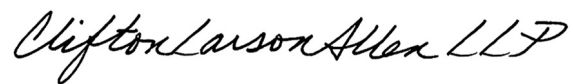
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness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

Board of Directors
Ednovate, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
November 25, 2023

**EDNOVATE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing

84.282M
84.425C
84.425U

Name of Federal Program or Cluster

Charter Schools Grant Program
Expanded Learning Opportunities (ELO) Grant
Elementary and Secondary School Emergency Relief Fund III (ESSER)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**EDNOVATE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

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: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**EDNOVATE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

Financial Statement Findings

Our audit for the year ended June 30, 2022 did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Findings and Questioned Costs – Major Federal Programs

Our audit for the year ended June 30, 2022 did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Findings and Questioned Costs – State Compliance

Our audit for the year ended June 30, 2022 did not disclose any matters required to be reported in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.



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