

Los Angeles Education Partnership

Financial Statements
and Single Audit Reports and Schedules

June 30, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Los Angeles Education Partnership
Los Angeles, California

We have audited the accompanying financial statements of Los Angeles Education Partnership (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Education Partnership as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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

Armanino^{LLP}
Los Angeles, California

February 26, 2018

Los Angeles Education Partnership
Statement of Financial Position
June 30, 2017

ASSETS

Current assets		
Cash and cash equivalents		\$ 843,337
Accounts receivable		569,612
Pledges receivable		626,384
Prepaid expenses		<u>44,361</u>
Total current assets		2,083,694
Leasehold improvements, net		112,975
Deposits		<u>24,237</u>
Total assets		<u><u>\$ 2,220,906</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses		\$ 441,798
Tenant improvements liability		<u>10,606</u>
Total current liabilities		<u>452,404</u>
Long-term liabilities		
Deferred rent		<u>52,138</u>
Total long-term liabilities		<u>52,138</u>
Total liabilities		<u>504,542</u>
Commitments (Note 6)		
Net assets		
Unrestricted		229,712
Temporarily restricted		<u>1,486,652</u>
Total net assets		<u>1,716,364</u>
Total liabilities and net assets		<u><u>\$ 2,220,906</u></u>

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

Los Angeles Education Partnership
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Support			
Governments	\$ 1,423,470	\$ -	\$ 1,423,470
Grants and contributions	208,727	1,760,534	1,969,261
Special events, net of cost of direct benefits of \$9,563	81,445	-	81,445
Total support	1,713,642	1,760,534	3,474,176
Revenue			
Contract revenue	1,283,251	-	1,283,251
Miscellaneous	33,217	-	33,217
Interest income	148	-	148
Net assets released from restriction	801,030	(801,030)	-
Total revenue	2,117,646	(801,030)	1,316,616
	3,831,288	959,504	4,790,792
Functional expenses			
Program services	3,236,894	-	3,236,894
Management and general	555,547	-	555,547
Fundraising	173,227	-	173,227
Total functional expenses	3,965,668	-	3,965,668
Change in net assets	(134,380)	959,504	825,124
Net assets, beginning of year	364,092	527,148	891,240
Net assets, end of year	\$ 229,712	\$ 1,486,652	\$ 1,716,364

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

Los Angeles Education Partnership
Statement of Functional Expenses
For the Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ 1,938,189	\$ 66,280	\$ 72,682	\$ 2,077,151
Employee benefits	176,311	370	223	176,904
Payroll taxes	<u>147,913</u>	<u>3,269</u>	<u>5,644</u>	<u>156,826</u>
Total personnel expenses	2,262,413	69,919	78,549	2,410,881
Amortization of leasehold improvements	-	42,365	-	42,365
Bad debt expense	-	74,374	-	74,374
Bank fees	77	1,585	-	1,662
Consulting fees	416,138	180,056	73,682	669,876
Equipment rent	29,914	16,343	-	46,257
Insurance, legal and audit	10,283	56,053	1,143	67,479
Program evaluation	11,519	-	-	11,519
Rent	127,811	58,990	9,832	196,633
Staff training and development	64,276	-	107	64,383
Stipends	77,122	-	-	77,122
Supplies	123,939	33,819	3,446	161,204
Telephone	28,175	12,680	2,492	43,347
Workshops and seminars	<u>85,227</u>	<u>9,363</u>	<u>3,976</u>	<u>98,566</u>
	<u>\$ 3,236,894</u>	<u>\$ 555,547</u>	<u>\$ 173,227</u>	<u>\$ 3,965,668</u>

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

Los Angeles Education Partnership
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash flows from operating activities		
Change in net assets	\$	825,124
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of leasehold improvements		42,365
Changes in operating assets and liabilities		
Accounts receivable		(17,458)
Pledges receivable		(609,984)
Prepaid expenses		(11,365)
Accounts payable and accrued expenses		(168,656)
Tenant improvements liability		(10,607)
Deferred rent		(8,644)
Net cash provided by operating activities		<u>40,775</u>
Net increase in cash and cash equivalents		40,775
Cash and cash equivalents, beginning of year		<u>802,562</u>
Cash and cash equivalents, end of year	\$	<u><u>843,337</u></u>

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

Los Angeles Education Partnership
Notes to Financial Statements
June 30, 2017

1. NATURE OF OPERATIONS

Los Angeles Education Partnership (the "Organization") strives to increase educational opportunity for all students. The Organization's mission is to work as a collaborative partner in high-poverty communities to foster great schools that support the personal and academic success of children and youth from birth through high school. The Organization's focus, from birth through high school, is to produce college- and career-ready graduates. The Organization implements proven models for effective teaching and school operation in small schools and early childhood education, and is the local leader in developing community schools. Founded in 1984, Los Angeles Education Partnership became the first educational transformation organization in Los Angeles and among those at the forefront of the movement nationwide. Since 1984, the Organization has combined public, nonprofit, philanthropic, and for-profit resources to create, manage, and sustain efforts that improve urban schools.

The Organization has identified six core elements it believes are essential for effective schools and organizes its work under those elements. The elements are:

(1) High-Quality Instruction: The Organization builds teachers' capacity to create engaging, relevant and inquiry-driven instruction, delivered by teacher teams in small schools or small learning communities.

(2) Teacher Leadership & Collaboration: The Organization helps develop teacher collaboration and distributed leadership to sustain innovation and accelerate achievement.

(3) College & Career Prepared: The Organization provides activities that prepare students for the workplace through interaction with professionals and expanded learning. The Organization offers college-access activities particularly for the high number of students who will be first in their families to attend college.

(4) Parents as Partners: The Organization helps schools empower parents through communication, involvement opportunities and educational resources.

(5) Youth Empowerment: Schools provide a personalized learning environment in which students discover their strengths and weaknesses and help shape their learning experiences as student leaders and mentors.

(6) Educational Equity: Schools align collaborators, resources and personnel to support the cognitive and noncognitive development of students, particularly underperforming and underrepresented students.

The Organization focuses on two areas that have been consistently demonstrated to positively impact student achievement:

- Transforming schools to expand the capacity of educators, students, and community to share responsibility for producing college- and career-ready graduates and sustainable change.

Los Angeles Education Partnership
Notes to Financial Statements
June 30, 2017

1. NATURE OF OPERATIONS (continued)

- Reaching children in early childhood to promote their healthy development and build parents' capacity to prepare their children for success in school.

Transform Schools

In Transform Schools, the Organization works with partner schools that have committed to implementing the Organization's model and its six core elements. The Organization's services in Transform Schools are grouped in three focus areas:

- *Partner Schools:* Partner Schools participate in intensive school-transformation services to build capacity, increase students' college and career readiness, and develop a cadre of teacher leaders. Partner Schools also use the Organization's community-school model to coordinate learning supports and health and social services to remove barriers to learning. Services include teacher professional development, coaching for teachers and principals, community-school coordinators on campus, parent engagement, college access and career readiness.
- *Network Schools:* Network Schools bring together teachers from the Organization's partner schools to develop solutions to common problems, test innovative strategies and disseminate best practices throughout the school district. In South Los Angeles, the Organization has created networks for two K-12 feeder patterns, in which educators are increasing their joint problem-solving and aligning academic programs and policies for students and teachers.
- *Trauma-Informed Schools:* In April 2017, the Organization launched RISE (Resilience in School Environments), a national pilot project with Kaiser Permanente to transform 20 schools to become trauma-informed and resilient. Schools are in southern and northern California, Georgia, and Colorado. This groundbreaking work is unique in its focus on staff wellness and the need to support school staff, who are often the first responders to childhood traumas.

The Organization provides professional development of teachers and administrators in its Partner and Network Schools and on a fee-for-service basis to additional schools. Professional development draws upon the Organization's years of experience in high-quality and teacher leadership and collaboration.

Early Childhood

The Organization's Early Childhood Initiative holistically prepares low-income children ages 0-5 for success in school. The Organization provides a variety of services that promote healthy development for families of young children including home visits, health and developmental screenings, early assessment and referrals, educational playgroups, developmental childcare and support for pregnant mothers. The program also offers developmental childcare on a fee-for-service basis for civic meetings and events.

Los Angeles Education Partnership
Notes to Financial Statements
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income tax status

The Organization is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and corresponding state provisions.

The Organization's federal income tax and informational returns for tax years ended June 30, 2014, and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's only state tax jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ended June 30, 2013, and subsequent.

Financial statement presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- *Unrestricted net assets* - Include grants, contributions, contracts, government grants, and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.
- *Temporarily restricted net assets* - Include grants and contributions received that are temporarily restricted by the donor or grantor. When the restrictions are met or expire, the net assets of this class are reclassified to unrestricted net assets. Restricted contributions in which the restrictions are met in the same reporting period are classified as unrestricted.
- *Permanently restricted net assets* - Include assets that have been restricted by the donor in perpetuity and cannot be expended. The Organization has no permanently restricted net assets.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash equivalents

The Organization considers all short-term financial instruments with original maturities of three months or less to be cash equivalents.

Los Angeles Education Partnership
Notes to Financial Statements
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of risk

Occasionally the Organization's bank balances exceed FDIC-insured limits. The Organization has not experienced and does not anticipate any losses as a result of these balances.

During the year, the Organization earned approximately 17% and 11% of its total revenue from two government entities. At June 30, 2017, accounts receivable from these entities represented 3% and 6%, respectively, of total accounts receivable. The Organization anticipates funding from these entities to continue at the current level for the year ending June 30, 2018.

Accounts receivable

Accounts receivable result primarily from fee-for-service contracts. Management anticipates it will collect 100% of the accounts receivable balance. Thus, no allowance for doubtful accounts has been established as of June 30, 2017.

Pledges receivable

Grants and contributions are recorded as pledges receivable when committed to the Organization by the donor. Management anticipates it will collect 100% of the pledges receivable balance; thus, no allowance for potentially uncollectible pledges has been established as of June 30, 2017.

Property and equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at estimated fair value when received. Depreciation of both purchased and donated items is calculated using the straight-line method over estimated useful lives of three to five years. Amortization of leasehold improvements is calculated using the straight-line method over the shorter of the estimated useful lives of the improvements or the term of the respective lease. At June 30, 2017, property and equipment totaling \$450,889 has been fully depreciated.

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Revenue and support

Contract revenue is received primarily from schools within Los Angeles. Grants and contributions are received primarily from individuals, corporations, government agencies and foundations.

Los Angeles Education Partnership
Notes to Financial Statements
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

The Organization receives a significant portion of its total public support under government grants which pay the Organization based on reimbursable costs as defined by the grants. Reimbursements recorded under these grants are subject to audit by the granting agency. Management anticipates no material adjustments will result from subsequent agency audits.

Functional expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated accordingly.

Subsequent events

The Organization has evaluated events subsequent to June 30, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through February 26, 2018, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as disclosed in Note 8.

3. LEASEHOLD IMPROVEMENTS

Leasehold improvements consist of the following:

Leasehold improvements	\$	211,829
Accumulated amortization		<u>(98,854)</u>
		<u>\$ 112,975</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets during the year are as follows:

	<u>Released from Restrictions</u>	<u>Balance, June 30, 2017</u>	
Transform Schools	\$ (778,079)	\$ 495,513	*
Fiscal Agent	(21,069)	10,298	
Early Childhood	(36)	-	
Trauma Informed Schools	<u>(1,846)</u>	<u>980,841</u>	*
	<u>\$ (801,030)</u>	<u>\$ 1,486,652</u>	

Los Angeles Education Partnership
Notes to Financial Statements
June 30, 2017

4. TEMPORARILY RESTRICTED NET ASSETS (continued)

* These balances include net assets restricted by both purpose and time.

5. RETIREMENT PLAN

The Organization has an IRC Section 403(b) tax-deferred annuity program (the "Thrift Plan") for employees with more than 90 days of service. The Thrift Plan provides for monthly contributions to be made by each eligible employee and discretionary contributions to be made by the employer. Total annual contributions to the Thrift Plan per employee may not exceed 15% of annual gross pay. No employer contributions were made to the Thrift Plan for the year ended June 30, 2017.

6. COMMITMENTS

The Organization is committed under operating leases on its office space through February 2020 and miscellaneous equipment through December 2021. The Organization's office lease included four months of rent abatement and an allowance for improvements.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2018	\$ 291,072
2019	282,768
2020	200,532
2021	56,628
2022	<u>28,314</u>
	<u>\$ 859,314</u>

Rent expense totaled \$292,566 for the year, including various rents totaling \$95,933 included in equipment rental and workshops and seminars on the accompanying statement of functional expenses.

7. RELATED PARTY

The Organization has a related entity, Urban Learning Centers, which is dormant, having no assets, liabilities, nor financial activity as of and for the year ended June 30, 2017.

Los Angeles Education Partnership
Notes to Financial Statements
June 30, 2017

8. LINE OF CREDIT

The Organization has a \$100,000 line of credit with American Business Bank (the "Bank") secured by substantially all the Organization's assets. The line bears interest at prime rate (4.25% at June 30, 2017) plus 0.5%. At June 30, 2017, there was no outstanding balance on the line. Subsequent to June 30, 2017, the Organization renewed the line at the same terms through December 3, 2018, at which point any outstanding principal balance and unpaid accrued interest will be due.

SINGLE AUDIT REPORTS AND SCHEDULES

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

To the Board of Directors
Los Angeles Education Partnership
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Los Angeles Education Partnership (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Armanino^{LLP}
Los Angeles, California

February 26, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Los Angeles Education Partnership
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Los Angeles Education Partnership (the "Organization")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the the Organization's financial statements as of and for the year ended June 30, 2017, and have issued our report thereon dated February 26, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Armanino^{LLP}
Los Angeles, California

February 26, 2018

Los Angeles Education Partnership
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Health and Human Services			
Direct award			
Head Start	93.600		\$ <u>833,893</u>
Total U.S. Department of Health and Human Services			<u>833,893</u>
U.S. Department of Education			
Direct award			
Fund for the Improvement of Education	84.215J		<u>514,771</u>
Pass-through program from California State University, Dominguez Hills Foundation:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	510076	<u>71,880</u>
Total U.S. Department of Education			<u>586,651</u>
Corporation for National and Community Service			
Direct award			
Volunteers in Service to America	94.013		<u>7,229</u>
Total Corporation for National and Community Service			<u>7,229</u>
Total Expenditures of Federal Awards			<u>\$ 1,427,773</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Los Angeles Education Partnership
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Los Angeles Education Partnership (the "Organization") under programs of the federal government for the year ended June 30, 2017. 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COSTS

The Organization does not use the 10% de minimis cost rate.

Los Angeles Education Partnership
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Health and Human Services - Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Los Angeles Education Partnership
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.

SECTION V - CORRECTIVE ACTION PLAN

There is no corrective action plan required.