

HTH LEARNING AND CONTROLLED AFFILIATES

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2017

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION
associates

HTH LEARNING AND CONTROLLED AFFILIATES
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JUNE 30, 2017

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Governance Board of
HTH Learning and Controlled Affiliates
San Diego, California

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of HTH Learning and Controlled Affiliates (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2017, and the related statements of activities 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HTH Learning and Controlled Affiliates 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 Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Organization's consolidated financial statements. The consolidating schedules of financial position and activities and the schedule of expenditures of Federal awards, which is required Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal controls over financial reporting and compliance.



San Diego, California
November 30, 2017

HTH LEARNING AND CONTROLLED AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Current assets	
Cash and cash equivalents	\$ 18,500,446
Investments	1,844,633
Accounts receivable	5,291,454
Prepaid expenses	76,158
Contributions receivable, current portion	83,967
Total current assets	<u>25,796,658</u>
Capital assets	
Property and equipment	172,268,731
Less accumulated depreciation	<u>(37,045,374)</u>
Capital assets, net	<u>135,223,357</u>
Long-term assets	
Capital project sinking funds	4,282,176
Capital project debt service reserve	1,592,743
Contributions receivable, long-term portion	<u>3,257,682</u>
Total long-term assets	<u>9,132,601</u>
Total Assets	<u>\$ 170,152,616</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 4,655,751
Interest payable on long-term debt	1,512,208
Deferred revenue	1,305,185
Bonds payable, current portion	<u>1,654,660</u>
Total current liabilities	<u>9,127,804</u>
Long-term liabilities	
Bonds payable	67,632,229
Less unamortized debt issuance costs	<u>(1,818,100)</u>
Total long-term liabilities	<u>65,814,129</u>
Total liabilities	<u>74,941,933</u>
Net assets	
Unrestricted	89,588,673
Temporarily restricted	<u>5,622,010</u>
Total net assets	<u>95,210,683</u>
Total Liabilities and Net Assets	<u>\$ 170,152,616</u>

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

HTH LEARNING AND CONTROLLED AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 28,424,672	\$ -	\$ 28,424,672
Other federal revenues	4,143,990	-	4,143,990
Other state revenues	6,585,616	807,848	7,393,464
Total federal and state support and revenues	39,154,278	807,848	39,962,126
Local support and revenues			
Payments in lieu of property taxes	14,391,411	-	14,391,411
Grants and donations	659,843	1,992,092	2,651,935
Investment income, net	251,501	-	251,501
Tuition and fees			
M.Ed. tuition	351,600	-	351,600
Dissemination program revenue	1,528,354	-	1,528,354
Other local revenues	3,789,595	27,659	3,817,254
Total local support and revenues	20,972,304	2,019,751	22,992,055
Donor restrictions satisfied	2,764,604	(2,764,604)	-
Total Support and Revenues	62,891,186	62,995	62,954,181
Expenses			
Program services	43,634,127	-	43,634,127
Management and general	11,650,375	-	11,650,375
Fundraising	174,700	-	174,700
Depreciation and amortization	5,040,335	-	5,040,335
Total Expenses	60,499,537	-	60,499,537
CHANGE IN NET ASSETS	2,391,649	62,995	2,454,644
Net Assets - Beginning	87,197,024	5,559,015	92,756,039
Net Assets - Ending	\$ 89,588,673	\$ 5,622,010	\$ 95,210,683

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

HTH LEARNING AND CONTROLLED AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,454,644
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation on capital assets	4,886,555
Amortization of bond issuance charges	153,780
(Increase) decrease in operating assets	
Accounts receivable	(434,042)
Prepaid expenses	(61,763)
Contributions receivable	83,967
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	613,656
Interest payable on long-term debt	(18,230)
Deferred revenue	1,081,158
Net cash provided by (used in) operating activities	8,759,725

CASH FLOWS FROM INVESTING ACTIVITIES

Transfer of investments to cash and cash equivalents	(234,905)
Purchase of capital assets	(2,236,789)
Net cash provided by (used in) investing activities	(2,471,694)

CASH FLOWS FROM FINANCING ACTIVITIES

Adjustments to debt issuance costs	(112,472)
Principal payments on bonds payable	(1,589,561)
Reserve cash for capital project sinking funds	(822,877)
Net cash provided by (used in) financing activities	(2,524,910)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 3,763,121

Cash and cash equivalents - Beginning 14,737,325

Cash and cash equivalents - Ending \$ 18,500,446

SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

Cash paid for interest	\$ 2,349,144
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The notes to the financial statements are an integral part of this statement.

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

HTH Learning and Controlled Affiliates (“the Organization”) consists of HTH Learning and its controlled affiliates: High Tech High, High Tech High Foundation, and High Tech High Graduate School of Education (the “Affiliates”). All are organized as nonprofit public benefit corporations under the laws of the state of California. HTH Learning maintains a controlling financial interest in all of the entities, except High Tech High Foundation, which is included because it is financially interrelated to High Tech High. The Organization’s mission is to provide students with rigorous and relevant academic and workplace skills, preparing its graduates for rewarding lives in our increasingly technological society.

HTH Learning

HTH Learning holds claim to the educational and teaching concepts, methods, models, techniques, systems and materials of High Tech High (collectively known as the “HTH Model”). HTH Learning is responsible for administering facilities leases to its affiliate schools, managing certain grants to replicate the High Tech High pedagogy, and planning growth of future schools, including site location, building design and construction management. HTH Learning holds title to certain real property in use by the affiliate schools. HTH Learning leases the property to High Tech High.

High Tech High

High Tech High operates several K-12 public charter schools in the county of San Diego, including;

Charter School	Classes Began	Grades Served
High Tech High	9/1/2000	9 - 12
High Tech Elementary Explorer	9/5/2000	K - 5
High Tech Middle	9/2/2003	6 - 8
High Tech High Media Arts	8/29/2005	9 - 12
High Tech High International	9/7/2004	9 - 12
High Tech Middle Media Arts	9/6/2005	6 - 8
High Tech High North County	9/10/2007	9 - 12
High Tech High Chula Vista	8/27/2007	9 - 12
High Tech Middle North County	8/31/2009	6 - 8
High Tech Middle Chula Vista	8/20/2011	6 - 8
High Tech Elementary North County	8/26/2013	K - 5
High Tech Elementary Chula Vista	8/20/2011	K - 5
High Tech Elementary	8/24/2015	K - 5

High Tech High’s goal to successfully integrate technical and academic education in a school that prepares students for post-secondary education and for leadership in the high technology industry; to increase the number of underrepresented students in math and engineering who succeed in middle school, high school and post-secondary education and who become productive members and leaders in the high technology industry; and to provide all High Tech High students with an extraordinary education that prepares them to be thoughtful, engaging citizens in our increasingly technological society. HTH Learning is the sole statutory member of High Tech High.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

High Tech High Foundation

High Tech High Foundation (the “Foundation”) is classified as a supporting organization of High Tech High under Internal Revenue Code section 509(a)(3). The purpose of the Foundation is to encourage public awareness, receives contributions, and in turn, makes contributions to High Tech High. Due to the economic benefit provided by the Foundation to High Tech High, and also that the Foundation’s Board of Directors is elected by High Tech High’s Board, the Foundation and High Tech High are considered financial interrelated organizations under generally accepted accounting principles.

High Tech High Graduate School of Education

High Tech High Graduate School of Education (“HTH GSE”) previously offered two Master of Education degree (M.Ed.) programs: School Leadership, for experienced educators who wish to or currently lead a small, innovative school, and Teacher Leadership, for experienced teachers who aspire to deepen their practice and broaden their leadership capacity at their school. In 2015-16, these degrees were consolidated into a single M.Ed. degree program with separate concentrations in School Leadership and Teacher Leadership. HTH GSE disseminates the pedagogy of High Tech High schools through professional development for educators from across the United States and around the world. HTH Learning is the sole statutory member of High Tech High Graduate School of Education.

B. Basis of Accounting

The Organization’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Principles of Consolidation

The accompanying financial statements include the accounts of HTH Learning, High Tech High, High Tech High Foundation, and High Tech High Graduate School of Education. Intercompany accounts and transactions have been eliminated in consolidation.

D. Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Directors and management’s discretion in carrying out the activities of the Organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the Organization in perpetuity while the earnings on those assets are available for use by the Organization to support its activities. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Organization’s financial statement presentation.

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities. Certain costs and expenditures have been allocated between program and supporting services based on management's estimates.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

G. Cash and Cash Equivalents

The Organization considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

H. Investments

The Organization's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

I. Capital Assets

All of the affiliates have adopted policies to capitalize asset purchases over \$2,500. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset. Capital assets are depreciated using the straight-line method.

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2017, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

L. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the Organization if not donated.

M. In Lieu of Property Taxes Revenue

High Tech High receives in lieu of property tax payments from San Diego Unified School District, the sponsoring school district for certain High Tech High schools. Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the sponsoring school district. The sponsoring school district makes monthly payments to the Organization for in lieu of property taxes. Revenues are recognized by the Organization when earned.

N. Trademarked Property

As the development of the HTH Model is inherent to the activities of HTH Learning's affiliates and the HTH Model has an indeterminate life, the costs associated with its development are expensed when incurred in conformance with generally accepted accounting principles.

O. Income Taxes

High Tech High Foundation is exempt from income taxes under Internal Revenue Code Section 509(a)(3) as a supporting organization of High Tech High. All of the Organization's other affiliates are 509(a)(1) publicly supported nonprofit organizations. The Affiliates are exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Affiliates are also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code.

The Organization believes all of its affiliates' significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Affiliates' information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Q. New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities* whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization has not yet determined the impact on the financial statements.

In April 2015, FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Additionally, the amortization of debt issuance costs is required to be reported as interest expense. The pronouncement was effective for annual financial statements issued for fiscal years beginning after December 15, 2015. The Organization has implemented this new accounting pronouncement for the year ended June 30, 2017.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2017, consist of the following:

Cash in banks, non-interest bearing	\$ 3,402,786
Cash in banks, interest bearing	3,809,069
Cash in county treasury	11,285,801
Cash on hand	2,790
Total Cash and Cash Equivalents	<u>\$ 18,500,446</u>

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury

The charter schools are considered to be voluntary participants in an external investment pool. The fair value of the schools' investment in the pool is reported in the accounting financial statements at amounts based upon the schools' pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Except for investments by trustees of debt proceeds, the authority to invest charter school funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website.

Investments in the San Diego County Treasury Investment Pool are not measured using the fair value input levels described in Note 1P because the Organization's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

Cash in Banks – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization deposits may not be returned to it. HTH Learning and its affiliates have adopted cash management policies that address investment options as well as actions to be taken in the event that deposits exceed FDIC limits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2017, a total of \$29,191 held by High Tech High and \$1,432,374 held by HTH Learning in commercial banks were exposed to custodial credit risk.

NOTE 3 – RECEIVABLES

Accounts Receivable

As of June 30, 2017, accounts receivable consists of the following:

Due from grantor governments:	
California Department of Education	\$ 1,767,418
San Diego Unified School District	1,251,702
Desert Mountain SELPA	1,343,144
Total due from grantor governments	<u>4,362,264</u>
Interest receivable	36,549
Other sources	892,641
Total Accounts Receivable	<u><u>\$ 5,291,454</u></u>

Contributions Receivable

On January 9, 2007, HTH Learning entered into a long-term agreement with the City of Chula Vista for the use of public property for Phase 1 of the High Tech High Chula Vista school site. The agreement grants HTH Learning with possessory interest in the land valued at \$2,950,989, so long as the land is used for educational purposes. The agreement expires on December 17, 2057, and is renewable for two additional 25 year terms.

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 3 – RECEIVABLES (continued)

Contributions Receivable (continued)

Also on January 9, 2007, High Tech High entered into a long-term agreement with the City of Chula Vista for the use of public property for Phase 2 of the High Tech High Chula Vista school site. This agreement grants High Tech High with possessory interest in the land valued at \$1,185,000, so long as the land is used for educational purposes. The agreement also expires on December 17, 2057, and is renewable for two additional 25 year terms.

HTH Learning and High Tech High recorded these transactions as contributions of long-lived assets with a time restriction. When the agreements were entered into, the assets were accrued as contributions receivable, and temporarily restricted contribution income was recognized. At the end of the year in which the agreement was entered into, the restricted income increased temporarily restricted net assets. Over the 50 year life of the agreements, the restricted net assets are released from restriction on the straight line. As of June 30, 2017, the balance of the contribution receivable was \$3,341,649, including the current portion of \$83,967.

NOTE 4 – OTHER ASSETS

Other assets, as of June 30, 2017, consist of the following:

Current investments	
Long-term maintenance reserve	\$ 1,839,218
Certificates of deposit	5,415
Total current investments	<u>1,844,633</u>
Capital project sinking funds	4,282,176
Capital project debt service reserve	1,592,743
Prepaid expenses	76,158
Total Other Assets	<u><u>\$ 7,795,710</u></u>

Long-term Maintenance Reserve

The Organization holds an investment account with City National Bank under HTH Learning for the purpose of reserving funds for long term maintenance. The funds are invested in marketable securities with a fair value of \$1,839,218 as of June 30, 2017. The investment is recognized at Level 1 are valued based on unadjusted quoted prices for identical assets or liabilities in active markets.

Certificates of Deposit

The Organization holds certificates of deposit, which are carried at amortized cost and classified as an investment under current assets in the consolidated statement of financial position. The investment does not qualify as securities defined in FASB ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosure required by ASC 820, *Fair Value Measurement and Disclosures*, are not provided. As of June 30, 2017, the carrying value of the certificates of deposit was \$5,415 and held with High Tech High.

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 4 – OTHER ASSETS (continued)

Capital Project Sinking Funds

The Organization maintains investments reserved for debt service payments as discussed further in Note 6 under “subsidized interest and other obligations.” As of June 30, 2017, the capital project sinking funds of \$4,282,176 consist of two accounts held by High Tech High invested in Treasury Notes, which will mature after a seven-year period in May 2020. The accounts are deemed Level 1 investments within the fair value hierarchy.

Capital Project Debt Service Reserve

The Organization maintains investment reserves for debt service payments as discussed further in Note 6 under “subsidized interest and other obligations.” As of June 30, 2017, the capital project debt service reserve of \$1,592,743 consist a Guaranteed Investment Contract (GIC) held by HTH Learning in association with its 2008 tax exempt bonds. The account is deemed Level 1 investments within the fair value hierarchy.

Prepaid Expenses

As of June 30, 2017, the Organization prepaid \$76,158 in expenditures attributed to the subsequent fiscal year.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, consists of the following:

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Property and equipment				
Land	\$ 31,028,186	\$ -	\$ -	\$ 31,028,186
Buildings and improvements	135,955,811	1,436,023	-	137,391,834
Furniture and equipment	2,744,670	157,855	822	2,901,703
Software	51,811	60,172	-	111,983
Vehicles	236,696	-	-	236,696
Construction in progress	15,590	582,739	-	598,329
Total property and equipment	170,032,764	2,236,789	822	172,268,731
Less: accumulated depreciation	(32,159,641)	(4,886,555)	(822)	(37,045,374)
Capital Assets, net	\$ 137,873,123	\$ (2,649,766)	\$ -	\$ 135,223,357

Total purchases of capital assets during the fiscal year ended June 30, 2017 amounted to \$2,236,789. During the fiscal year ended June 30, 2017, total depreciation expense for all entities was \$4,886,555.

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2017 is as follows:

Description	Year Issued	Original Issue	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
2008A Bonds	2008	\$ 4,440,000	\$ 4,365,000	\$ -	\$ 40,000	\$ 4,325,000	\$ 45,000
2008B Bonds	2008	18,520,000	18,200,000	-	175,000	18,025,000	185,000
2010 QSCB	2010	12,000,000	12,000,000	-	-	12,000,000	-
2013 QSCB	2013	11,500,000	11,500,000	-	-	11,500,000	-
2014 QSCB	2014	11,000,000	10,186,703	-	598,366	9,588,337	619,340
2015 QSCB	2015	11,650,000	11,355,747	-	605,949	10,749,798	628,371
2016 QSCB	2016	3,269,000	3,269,000	-	170,246	3,098,754	176,949
Total			\$ 70,876,450	\$ -	\$ 1,589,561	\$ 69,286,889	\$ 1,654,660

A summary of the principal amounts of long-term debt and the unamortized debt issuance associated with such debt is as follows:

Description	Principal	Unamortized Discount & Debt Issuance Costs	Net Balance
2008A Bonds	\$ 4,325,000	\$ 44,652	\$ 4,280,348
2008B Bonds	18,025,000	713,299	17,311,701
2010 QSCB	12,000,000	235,982	11,764,018
2013 QSCB	11,500,000	207,599	11,292,401
2014 QSCB	9,588,337	113,650	9,474,687
2015 QSCB	10,749,798	358,213	10,391,585
2016 QSCB	3,098,754	144,705	2,954,049
Total	\$ 69,286,889	\$ 1,818,100	\$ 67,468,789

California Municipal Revenue Tax Exempt Bonds Series 2008A

In April 2008, HTH Learning issued a series of bonds designated as the California Municipal Finance Authority Educational Facilities Revenue Bonds (HTH Learning), Series 2008A, in an aggregate principal amount of \$4,365,000. The bonds are tax exempt and bear interest at a rate of 6.17%. Payments are made on January 1 and July 1 and consist of interest only through June 2013. Beginning July 1, 2014, principal payments will be due annually in addition to semiannual interest payments through June 2048. Future payments on this bond issuance are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 45,000	\$ 260,272	\$ 305,272
2019	45,000	257,628	302,628
2020	50,000	256,306	306,306
2021	50,000	253,369	303,369
2022	55,000	250,431	305,431
2023-2048	4,080,000	4,381,034	8,461,034
Total	\$ 4,325,000	\$ 5,659,040	\$ 9,984,040

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 6 – LONG-TERM DEBT (continued)

California Municipal Revenue Tax Exempt Bonds Series 2008B

In April 2008, HTH Learning issued a series of bonds designated as the California Municipal Finance Authority Educational Facilities Revenue Bonds (HTH Learning), Series 2008B, in an aggregate principal amount of \$18,200,000. The bonds are tax exempt and bear interest at a rate of 6.27%. Interest is capitalized and paid from the loan proceeds through December 2008, after which payments are made on January 1 and July 1 and consist of interest only through June 2013. Beginning July 1, 2014, principal payments will be due annually in addition to semiannual interest payments through June 2048. Future payments on this bond issuance are as follows:

Year Ended				
June 30	Principal	Interest	Total	
2018	\$ 185,000	\$ 1,093,200	\$ 1,278,200	
2019	195,000	1,082,750	1,277,750	
2020	205,000	1,077,387	1,282,387	
2021	215,000	1,065,087	1,280,087	
2022	230,000	1,052,187	1,282,187	
2023-2048	16,995,000	18,369,101	35,364,101	
Total	\$ 18,025,000	\$ 23,739,712	\$ 41,764,712	

2010 QSCBs – CSFA High Tech High Chula Vista K-8 Project Bonds

In August 2010, the Organization, through the California School Finance Authority (CSFA), issued \$12,000,000 of Qualified School Construction Bonds (QSCBs) to fund the construction of the High Tech High Chula Vista K-8 Project. In association with this loan, an irrevocable direct pay letter of credit (LC) was written by City National Bank and a standby LC was provided by the Federal Home Loan Bank. As a direct pay LC, the Trustee for the bonds makes draws upon the LC when principal and interest payments are due on the bonds. Under the Reimbursement Agreement with City National Bank, the Organization is required to immediately reimburse the bank for draws upon the letter of credit. HTH Learning is also a party to the Reimbursement Agreement.

The interest rate applied to the bond is 5.014%; however, the Organization will file claims for direct subsidy of the full interest amount as interest becomes due. The direct subsidy is a specific feature of the QSCBs. The full amount of principal is due at the end of the 10 year term. In 2012, the Organization began making deposits into a sinking fund for the purpose of reducing principal owed when the debt is refinanced at the end of the 10 year term. As of June 30, 2017, the principal balance of the loan was \$12,000,000 with current interest payable in the amount of \$604,920. The capital project sinking fund had a balance of \$2,238,419 as of June 30, 2017. Expected future payments on the 2010 QSCBs are as follows:

Year Ended		Subsidized		
June 30	Principal	Interest	Total	
2018	\$ -	\$ 604,920	\$ 604,920	
2019	-	604,920	604,920	
2020	-	604,920	604,920	
2021	12,000,000	302,460	12,302,460	
Total	\$ 12,000,000	\$ 2,117,220	\$ 14,117,220	

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 6 – LONG-TERM DEBT (continued)

2013 CSFA High Tech Elementary North County Project Bonds

In April 2013, the Organization, through the California School Finance Authority (CSFA), issued \$11,500,000 of QSCBs to fund the construction of the High Tech Elementary North County School Project with City National Bank serving as the bondholder.

The interest rate applied to the bonds is 5.58%; however, the Organization will file claims for direct subsidy of the full interest amount as interest becomes due. The direct subsidy is a specific feature of the Qualified School Construction Bonds. The full amount of principal is due at June 30, 2033. As of June 30, 2017, the balance of principal on the loan was \$11,500,000 with current interest payable in the amount of \$641,700. The balance in the sinking fund was \$1,220,880 as of June 30, 2017. Expected future payments on the 2013 QSCBs are as follows:

Year Ended	Subsidized		Total
June 30	Principal	Interest	
2018	\$ -	\$ 641,700	\$ 641,700
2019	-	641,700	641,700
2020	-	641,700	641,700
2021	-	641,700	641,700
2022	-	641,700	641,700
2033	11,500,000	641,700	12,141,700
Total	\$ 11,500,000	\$ 3,850,200	\$ 15,350,200

2014 CSFA Point Loma Facilities Revenue Bonds

On November 6, 2014, HTH Learning entered into a master loan agreement with the California School Finance Authority (CSFA), whereby the Series 2005 Note previously held by HTH Learning to finance the Point Loma facilities was amended and restated to cancel the California Municipal Revenue Bonds Series 2005 and replace with the 2014 CSFA Point Loma Facilities Bonds. The 2014 CSFA Point Loma Facilities Bonds were issued with a new term date of October 1, 2029 for the borrowing of \$11,000,000 at an interest rate of 3.46%. The Point Loma facilities are housed by the following High Tech High charter schools: High Tech High, High Tech Middle, High Tech Middle Media Arts, High Tech High International, and High Tech Elementary Explorer, which have elected to provide payment of the 2014 CSFA Point Loma Facilities Revenue Bonds. Beginning in January, quarterly payments for principal and interest became due and are payable through October 2029. Future payments on this bond issuance are as follows:

Year Ended	Subsidized		Total
June 30	Principal	Interest	
2018	\$ 619,340	\$ 323,778	\$ 943,118
2019	641,049	302,069	943,118
2020	663,518	279,600	943,118
2021	686,776	256,342	943,118
2022	710,848	232,270	943,118
2023-2030	6,266,806	884,499	7,151,305
Total	\$ 9,588,337	\$ 2,278,558	\$ 11,866,895

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 6 – LONG-TERM DEBT (continued)

2015 CSFA HTH Learning Project Series 2015

On October 27, 2015, \$11,650,000 of 2015 CSFA HTH Learning bonds were issued to fully refinance the Revolution Community Ventures 1, LLC and the line of credit previously held with City National Bank, which have been used to partially fund the construction of the new facility for High Tech Elementary. The bonds bear an interest at a rate of 3.60%. Beginning in January 2016, principal payments are due quarterly in addition to quarterly interest payments through October 2030. Future payments on this bond issue are as follows:

Year Ended	Subsidized		
June 30	Principal	Interest	Total
2018	\$ 628,371	\$ 383,869	\$ 1,012,240
2019	651,622	360,618	1,012,240
2020	674,838	337,402	1,012,240
2021	700,705	311,535	1,012,240
2022	726,633	285,607	1,012,240
2023-2031	7,367,629	1,236,413	8,604,042
Total	\$ 10,749,798	\$ 2,915,444	\$ 13,665,242

2016 HTH Learning Project Series 2016

On March 1, 2016, HTH Learning entered into a loan agreement with the CSFA for the issuance of \$3,269,000 in school facility revenue bonds. The proceeds funded the purchase of the High Tech Middle North County project improvements from affiliate, High Tech High, to settle the outstanding liability associated with High Tech High's 2011 Qualified School Construction Bonds. The 2016 CSFA bonds bear an interest at a rate of 3.60%. Beginning in July 2016, principal payments are due quarterly in addition to quarterly interest payments through January 2031. Future payments on this bond issue are as follows:

Year Ended	Subsidized		
June 30	Principal	Interest	Total
2018	\$ 176,949	\$ 110,697	\$ 287,646
2019	183,497	104,149	287,646
2020	190,027	97,619	287,646
2021	197,318	90,328	287,646
2022	204,619	83,027	287,646
2023-2033	2,146,344	370,561	2,516,905
Total	\$ 3,098,754	\$ 856,381	\$ 3,955,135

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 6 – LONG-TERM DEBT (continued)

Subsidized Interest and Other Obligations – QSCBs

The intercept of general apportionment revenues by the State Controller will fund the annual fees (LC, trustee, and CSFA) and the required contributions to the sinking fund. The direct subsidy from the U.S. Treasury will fund the interest expense on the bonds. An initial deposit to the Revenue Fund from borrower equity funds the annual fees through December 31, 2012, with the balance held in the Revenue Fund to provide the necessary liquidity when interest payments are reimbursed to the bank in advance of receipt of the Treasury subsidy. Due to inaction of Congress, sequestration cuts were applied at the federal level. As a result of the sequestration cuts, the potential 100% subsidy from the QSCBs was not realized in full. A portion of the interest due on July 1, 2017 and accrued in the fiscal year 2016-17 was paid directly by the schools of High Tech High.

In conjunction with the issuance of this debt, High Tech High and HTH Learning have entered into a second Reimbursement Agreement with a private guarantor who has pledged collateral to the bank as security for the bank's Reimbursement Agreement. This Reimbursement Agreement reasonably provides that in the event that High Tech High has not fulfilled its responsibilities under the Reimbursement Agreement, and as a result, the guarantor's collateral is drawn upon by the bank, High Tech High and HTH Learning are obligated to repay the guarantor.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2017, the Organization's temporarily restricted net assets consisted of the following:

State restricted programs	\$	926,022
Hewlett Foundation		218,353
The Amar Foundation		200,058
Jobs for the Future		78,229
Ronald Simon Family Foundation		42,405
Walton Family Foundation		587,015
Other cash contributions with purpose restrictions		228,280
Contributed use of long-lived assets		3,341,648
Total Temporarily Restricted Net Assets	\$	5,622,010

NOTE 8 – DONATED ASSETS AND SERVICES

During the year, many individuals donate significant amounts of time and services to the Affiliates in an effort to advance the programs and objectives of HTH Learning and Controlled Affiliates. These services have not been recorded in the financial statements because they do not meet the criteria required under generally accepted accounting principles.

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 9 – EMPLOYEE RETIREMENT PLANS

High Tech High employ personnel who may do work for HTH Learning and the other affiliates. Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and non-certificated employees are members of the California Public Employees' Retirement System (CalPERS). In addition, High Tech High offers a voluntary 403(b) defined contribution plan.

A. 403(b) Employee Savings Plan

The Organization participates in the San Diego County Office of Education's Fringe Benefits Consortium for the purpose of providing its employees with opportunities to participate in 403(b) and 457 employee savings plans. Substantially, all employees are eligible to participate in the plan. Under the plan, employees can contribute and defer taxes on compensation contributed. The Organization has the option at its discretion to match the contributions of the employees within the prescribed limits.

B. California State Teachers' Retirement System (CalSTRS)

Plan Description

The Organization contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 9.205% of their 2016-17 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2016-17	\$ 2,794,440	100%
2015-16	\$ 2,294,110	100%
2014-15	\$ 1,592,010	100%

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for the Organization is estimated at \$1,303,690 for High Tech High (6.0793% of creditable compensation subject to CalSTRS in 2015-16).

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

C. California Public Employees’ Retirement System (CalPERS)

Plan Description

The Organization contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

Funding Policy

Prior to January 1, 2013, active plan members are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contributions to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by state statute. The Organization’s contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2016-17	\$ 736,427	100%
2015-16	\$ 594,263	100%
2014-15	\$ 530,034	100%

NOTE 10 – COMMITMENTS

Governmental Funding – Subject to Review

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

Revolving Line of Credit

The Organization, HTH Learning specifically, holds an agreement with City National Bank for a revolving line of credit in the amount of \$2,000,000 with a termination date of October 5, 2019. There was no outstanding principal balance under this line of credit as of June 30, 2017.

HTH LEARNING AND CONTROLLED AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – COMMITMENTS (continued)

Multi-employer Defined Benefit Plan Participation

Under current law on multiemployer benefit plans, the Organization's voluntary withdrawal from an underfunded multiemployer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Organization's proportionate share of the multiemployer plan's unfunded vested liabilities specific to High Tech High. CalSTRS has estimated that High Tech High's share of withdrawal liability is approximately \$34,637,009 as of June 30, 2016. Also as of June 30, 2016, CalPERS has estimated High Tech High's share of withdrawal liability to be \$8,381,428. The Organization does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 9 for additional information on employee retirement plans.

NOTE 11 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events for the period from June 30, 2017 through November 30, 2017, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION SECTION

HTH LEARNING AND CONTROLLED AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2017

	HTH Learning	High Tech High	High Tech High Foundation	High Tech High Graduate School of	Total	Eliminations	Consolidated Total
ASSETS							
Current assets							
Cash and cash equivalents	\$ 1,738,923	\$ 14,156,183	\$ 90,392	\$ 2,514,948	\$ 18,500,446	\$ -	\$ 18,500,446
Investments	1,839,218	5,415	-	-	1,844,633	-	1,844,633
Accounts receivable	36,549	5,005,356	3,108	246,441	5,291,454	-	5,291,454
Prepaid expenses	-	76,158	-	-	76,158	-	76,158
Due from related entities	852,905	798,385	182,603	-	1,833,893	(1,833,893)	-
Contributions receivable, current portion	59,020	24,947	-	-	83,967	-	83,967
Total current assets	4,526,615	20,066,444	276,103	2,761,389	27,630,551	(1,833,893)	25,796,658
Capital assets							
Property and equipment	131,972,935	40,279,883	-	15,913	172,268,731	-	172,268,731
Less accumulated depreciation	(29,750,578)	(7,282,347)	-	(12,449)	(37,045,374)	-	(37,045,374)
Capital assets, net	102,222,357	32,997,536	-	3,464	135,223,357	-	135,223,357
Long-term assets							
Capital project sinking funds	-	4,282,176	-	-	4,282,176	-	4,282,176
Capital project debt service reserve	1,592,743	-	-	-	1,592,743	-	1,592,743
Contributions receivable, long-term portion	2,272,261	985,421	-	-	3,257,682	-	3,257,682
Total long-term assets	3,865,004	5,267,597	-	-	9,132,601	-	9,132,601
Total Assets	\$ 110,613,976	\$ 58,331,577	\$ 276,103	\$ 2,764,853	\$ 171,986,509	\$ (1,833,893)	\$ 170,152,616
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable	\$ 340,723	\$ 4,176,069	\$ 12,274	\$ 126,685	\$ 4,655,751	\$ -	\$ 4,655,751
Interest payable on long-term debt	888,898	623,310	-	-	1,512,208	-	1,512,208
Due to related entities	-	1,035,508	-	798,385	1,833,893	(1,833,893)	-
Deferred revenue	20,000	1,226,160	360	58,665	1,305,185	-	1,305,185
Bonds payable, current portion	1,654,660	-	-	-	1,654,660	-	1,654,660
Total current liabilities	2,904,281	7,061,047	12,634	983,735	10,961,697	(1,833,893)	9,127,804
Long-term liabilities							
Bonds payable	44,132,229	23,500,000	-	-	67,632,229	-	67,632,229
Less unamortized debt issuance costs	(1,374,519)	(443,581)	-	-	(1,818,100)	-	(1,818,100)
Total long-term liabilities	42,757,710	23,056,419	-	-	65,814,129	-	65,814,129
Total liabilities	45,661,991	30,117,466	12,634	983,735	76,775,826	(1,833,893)	74,941,933
Net assets							
Unrestricted	62,620,705	26,067,545	263,469	636,954	89,588,673	-	89,588,673
Temporarily restricted	2,331,280	2,146,566	-	1,144,164	5,622,010	-	5,622,010
Total net assets	64,951,985	28,214,111	263,469	1,781,118	95,210,683	-	95,210,683
Total Liabilities and Net Assets	\$ 110,613,976	\$ 58,331,577	\$ 276,103	\$ 2,764,853	\$ 171,986,509	\$ (1,833,893)	\$ 170,152,616

HTH LEARNING AND CONTROLLED AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	HTH Learning	High Tech High	High Tech High Foundation	High Tech High Graduate School of Education	Total	Eliminations and Adjustments	Consolidated Total
UNRESTRICTED NET ASSETS							
Unrestricted Support and Revenues							
Federal and state support and revenues							
Local control funding formula, state aid	\$ -	\$ 28,424,672	\$ -	\$ -	\$ 28,424,672	\$ -	\$ 28,424,672
Federal revenues	-	4,138,990	-	5,000	4,143,990	-	4,143,990
Other state revenues	-	6,585,616	-	-	6,585,616	-	6,585,616
Total federal and state support and revenues	-	39,149,278	-	5,000	39,154,278	-	39,154,278
Local support and revenues							
Payments in lieu of property taxes	-	14,391,411	-	-	14,391,411	-	14,391,411
Grants and donations	-	1,101,846	434,989	1,548	1,538,383	(878,540)	659,843
Investment income, net	95,671	142,935	(27)	12,922	251,501	-	251,501
Rental income	5,863,759	-	-	-	5,863,759	(5,863,759)	-
Tuition and fees							
M.Ed. tuition	-	-	-	351,600	351,600	-	351,600
Dissemination program revenue	-	-	-	1,528,354	1,528,354	-	1,528,354
Other local revenues	834,599	5,070,572	-	65,606	5,970,777	(2,181,182)	3,789,595
Total local support and revenues	6,794,029	20,706,764	434,962	1,960,030	29,895,785	(8,923,481)	20,972,304
Donor restrictions satisfied	59,020	1,058,603	22,640	1,461,935	2,602,198	162,406	2,764,604
Total Unrestricted Support and Revenues	6,853,049	60,914,645	457,602	3,426,965	71,652,261	(8,761,075)	62,891,186
Operating Expenses							
Program services							
Instruction	-	30,894,586	-	1,032,226	31,926,812	(198,773)	31,728,039
Instructional support	-	6,810,153	-	-	6,810,153	-	6,810,153
Research	-	-	-	741,849	741,849	-	741,849
Dissemination	-	-	-	1,439,726	1,439,726	(419,394)	1,020,332
Educational facilities	2,441,369	6,781,745	-	-	9,223,114	(5,889,360)	3,333,754
Support to affiliates	538,426	1,535,001	342,527	-	2,415,954	(2,415,954)	-
Management and general	57,294	11,492,596	4,528	95,957	11,650,375	-	11,650,375
Fundraising	-	53,076	121,624	-	174,700	-	174,700
Depreciation and amortization	3,319,346	1,720,387	-	602	5,040,335	-	5,040,335
Total Operating Expenses	6,356,435	59,287,544	468,679	3,310,360	69,423,018	(8,923,481)	60,499,537
CHANGE IN UNRESTRICTED NET ASSETS	496,614	1,627,101	(11,077)	116,605	2,229,243	162,406	2,391,649
Unrestricted Net Assets - Beginning	62,124,091	24,440,444	274,546	520,349	87,359,430	(162,406)	87,197,024
Unrestricted Net Assets - Ending	62,620,705	26,067,545	263,469	636,954	89,588,673	-	89,588,673
TEMPORARILY RESTRICTED NET ASSETS							
Other state revenues	-	807,848	-	-	807,848	-	807,848
Grants and donations	-	281,409	-	1,710,683	1,992,092	-	1,992,092
Other local revenues	-	5,019	22,640	-	27,659	-	27,659
Donor restrictions satisfied	(59,020)	(1,058,603)	(22,640)	(1,461,935)	(2,602,198)	(162,406)	(2,764,604)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(59,020)	35,673	-	248,748	225,401	(162,406)	62,995
Temporarily Restricted Net Assets - Beginning	2,390,300	2,110,893	-	895,416	5,396,609	162,406	5,559,015
Temporarily Restricted Net Assets - Ending	2,331,280	2,146,566	-	1,144,164	5,622,010	-	5,622,010
CHANGE IN NET ASSETS	437,594	1,662,774	(11,077)	365,353	2,454,644	-	2,454,644
Net Assets - Beginning	64,514,391	26,551,337	274,546	1,415,765	92,756,039	-	92,756,039
Net Assets - Ending	\$ 64,951,985	\$ 28,214,111	\$ 263,469	\$ 1,781,118	\$ 95,210,683	\$ -	\$ 95,210,683

HTH LEARNING AND CONTROLLED AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
High Tech High			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 833,505
Title II, Part A, Teacher Quality	84.367	14341	22,492
Title IV, Part B, 21st Century Community Learning Centers (CCLC) Program	84.287	14681	276,840
IDEA Basic Local Assistance Entitlement, Part B, Sec 611*	84.027	13379	883,959
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	53,090
<i>Passed through California School Finance Authority:</i>			
Title V, Part B, Charter Schools			
State Charter School Facilities Incentive Grant Program	84.282D	24945	1,952,750
High Tech High Graduate School of Education			
Title VI, Federal Direct Loan Program (FDLP)	84.268	**	5,000
Total U. S. Department of Education			<u>4,027,636</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
National School Lunch Program	10.555	13391	261,962
Total U. S. Department of Agriculture			<u>261,962</u>
Total Federal Expenditures			<u>\$ 4,289,598</u>

* - Major Program

** - Pass-Through Entity Identifying Number not available or not applicable

The schedule of expenditures of federal awards includes the Federal Grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The Organization has not elected to use the 10 percent de minimis indirect cost rate.

OTHER INDEPENDENT AUDITOR'S REPORTS

**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**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

To the Governance Board of
HTH Learning and Controlled Affiliates
San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of HTH Learning and Controlled Affiliates (the "Organization") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated November 30, 2017.

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 auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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State Board of Accountancy*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
November 30, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

To the Governance Board of
High Tech High
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited HTH Learning and Controlled Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of HTH Learning and Controlled Affiliates' major federal programs for the year ended June 30, 2017. HTH Learning and Controlled Affiliates' 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 HTH Learning and Controlled Affiliates' 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* (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 HTH Learning and Controlled Affiliates' 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 HTH Learning and Controlled Affiliates' compliance.

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Opinion on Each Major Federal Program

In our opinion, HTH Learning and Controlled Affiliates 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 HTH Learning and Controlled Affiliates 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 HTH Learning and Controlled Affiliates' 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 HTH Learning and Controlled Affiliates' 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 weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



San Diego, California
November 30, 2017

FINDINGS AND QUESTIONED COSTS SECTION

**HTH LEARNING AND CONTROLLED AFFILIATES
SUMMARY OF AUDITORS' RESULTS AND SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

PART I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>IDEA Basic Local Assistance Entitlement, Part B, Sec 611</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

PART II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements during 2016-17.

PART III – FEDERAL AWARDS FINDINGS

There were no audit findings and questioned costs related to federal awards during 2016-17.

PART IV – PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs in 2015-16.