

**MINUTES OF THE TELEPHONIC MEETING
OF THE AUDIT COMMITTEE OF
EDNOVATE, INC.
a California nonprofit public benefit corporation
Wednesday, November 30, 2016**

The Audit Committee of Ednovate, Inc. (the "Corporation") held its a regular Audit Committee (the "Committee") meeting telephonically (712-432-1500; Participant Code: 413556) on Wednesday, November 30, 2016, and at the following alternate locations:

1. Ednovate, Inc.: 350 S. Figueroa St., Ste. 250, Los Angeles, CA 90071, from which Marcia Aaron and the Ednovate team participated telephonically and from where members of the public could participate.
2. USC Rossier School of Education: 3470 Trousdale Pkwy, Los Angeles, CA 90089, from which Chair Karen Symms Gallagher participated telephonically and from where members of the public could participate.

The following Directors, constituting a quorum of the Audit Committee, were present telephonically:

Marcia Aaron	Audit Committee Chair
Karen Symms Gallagher	Board Chair

Also present were the following officers of the Corporation, staff and advisors who attended at the request of the Board:

Oliver Sicat	Ednovate, CEO
Reid Phillips	Ednovate, COO
Shawn Rubin	ExED, VP of Finance
Matthew Miller	Vavrinek, Trine, Day & Co. (VTD), Partner
Katie Hart	Ednovate, Director of Strategic Partnerships

Marcia Aaron served as the Chair of the meeting and Katie Hart served as the Secretary of the meeting.

Welcome and Opening Remarks

The meeting was called to order at 3:40 p.m. by Marcia Aaron who welcomed the attendees. Ms. Aaron did a roll call for all attendees.

Dean Gallagher stated that she is taking the call from USC Rossier School of Education, that the meeting agenda is posted on the door, and that members of the public are welcome.

Marcia Aaron stated that she is taking the call from the Ednovate, Inc. and that the meeting agenda is posted in the front of the door of the office, and that members of the public are welcome.

Marcia Aaron volunteered to serve as the Chair of the Audit Committee, which Dean Gallagher agreed with, and she appointed Ms. Aaron to Chair of the Audit Committee. Dean Gallagher will ask that the full Ednovate Board ratify the appointment of Ms. Aaron as Chair of the Audit Committee at the next regularly scheduled Board meeting, on December 12, 2016.

Public Comments

Ms. Aaron asked if there were any public comments. There were none.

Conditional approval of Ednovate, Inc. fiscal year 2015-16 audit with recommendation that the full Board approve on December 12th - Document A

Ms. Aaron stated that she has reviewed the audit report, and she stated that she was pleased to see a clean audit without any concerns.

Ms. Aaron asked if Dean Gallagher had had an opportunity to review the audit report, which she affirmed that she had reviewed in advance of the call. Dean Gallagher stated that she was pleased to note that this was the fourth year of “clean” audits and positive financial reports.

Ms. Aaron invited Mr. Miller to provide his comments about the audit report, which he accepted. Mr. Miller stated that the audit opinion is “clean” with no exceptions.

Mr. Miller further stated that in the financials in statements on page 4, each entity is identified in a separate column. All are in positive positions (no deficiency regarding net assets). Total net asset position is \$3 million. Hybrid and East both had very positive results for the year. \$1.3 million total as a surplus in net assets as seen on page 5.

Dean Gallagher asked Mr. Miller to explain the surplus. Mr. Miller mentioned reserves are going up due to LCFF and how assets are being distributed. It typically takes time for agencies to ramp up their costs to address their specific needs.

Mr. Miller reviewed page 6 and noted the cash flow reflects similar to what net assets did. USC East did get \$250,000 of revolving loan which bumped up net cash. Mr. Miller mentioned page 7-20 are the footnotes to the financials.

Ms. Aaron asked about changes in the accounting rules and what impact that has on how to account for leases for next year. Mr. Miller stated that he doesn't think it will have a dramatic change, especially on the accounting side. This is something more regarding the structure of non-profits on the overall presentation. Right now, Ednovate is accounting for everything unrestricted. The structure for accounting is moving from three categories down to two. If Ednovate moves to where there are restricted categories, that is where the changes would take place. Temporary and permanent restricted are now being collapsed into one category.

Mr. Miller stated that page 21 is a required schedule. Uniform guidance of federal money is the new guideline that charter schools need to follow. A single audit is required at \$750,000 which is seen in the required schedule. It requires a separate audit for what is now considered a special program. They need to be reviewed to see what is significant and what is not. They needed to test 20% of the expenses in this category. Title 5 was tested. There will be a filed online submission which VTD will conduct within

thirty days after the release of the audit. Mr. Miller will certify that the numbers are accurate and will work with Mr. Phillips.

Mr. Miller requested a review of page 22 to ensure that the terms look accurate and the spellings are correct. No errors were noted from the committee.

Mr. Miller stated that page 23 is a breakdown of what Ednovate submitted for ADA and VTD is required to test it and they have deemed that it is all correct. Same thing on page 24 which pertains to instructional time. Ednovate provides more instructional time than what is required. No changes occurred from what was provided at the preliminary audit numbers.

Page 29, this falls under the governmental audit standards, and there is nothing to report as a significant deficiency (control weakness that would have a material effect on the financial statements or on a compliance requirements). Nothing was noted by VTD. Same thing is noted on page 31; nothing to report.

Ms. Aaron asked a question regarding subsequent events regarding whether we should be reporting that we are projecting to open two new charters next year (specifically note 13). Mr. Miller stated they can add that. Ms. Aaron stated that it is a major event and can have impact on financials so it should be included.

Ms. Aaron asked Ms. Rubin if Revenue received is matched every dollar to an expenditure. If there was a full federal audit, it would be categorized exactly how each public dollar was spent. Ms. Rubin stated that all federal expenses are accounted for by category. LCAP money is reconciled at the end of the year and will account for how state funds were spent. Mr. Miller stated that part of their testing requires a trace back to LCAP information.

Mr. Miller requested that Ms. Rubin send wording for the subsequent event. He has no further.

Ms. Aaron asked for confirmation that there are no adjusting injuries. Mr. Miller confirmed that this is correct.

Ms. Aaron asked if Dean Gallagher had any further questions and she did not.

Ms. Aaron requested approval for the audit. The board will vote to accept the audit committee's recommendation at the board meeting on Dec 12th.

Ms. Rubin recommends that the approval be part of the Board meeting and not on the consent agenda. The audit committee agreed and it will be reflected on the board agenda for Dec 12th.

Ms. Rubin stated for the record that there are no adjustments on the unaudited financials and no findings.

Upon motion duly made by Dean Gallagher, seconded by Ms. Aaron and unanimously carried (Dean Gallagher: "Aye"; Ms. Aaron: "Aye"), the Audit Committee adopted the following resolution:

RESOLVED, that the 2015-16 Audit for Ednovate, Inc., including the Financial Statements through June 30, 2016, Supplementary Information, Independent Auditor's Report, and Schedule of Findings and Questioned Costs, attached hereto as Document A, is hereby

accepted and recommended for approval by the full Ednovate Board at the meeting on December 12, 2016. In addition, the Committee plans to share with the full Board and invite their comments, prior to submitting to the State of California by December 15, 2016.

Executive Session with the Audit Committee and Auditor

Ms. Aaron stated that the Audit Committee would then be going into Executive Session to discuss the 2015-16 Audit with Mr. Miller, the lead auditor.

Ms. Aaron asked if there were any further comments prior to entering into the Executive Session. As there were none, Ms. Aaron, thanked the other participants on the call, and then asked that they drop off the line for the Executive Session.

Acknowledgements and Closing Remarks

As there was no further business to come before the Audit Committee, a motion to adjourn the meeting was made by Ms. Aaron, seconded by Dean Gallagher, and unanimously carried. The meeting was adjourned at 4:21 p.m.

Marcia Aaron
Chair of the Meeting

ATTEST:

Reid Phillips
Acting Secretary