

WESTED
(A JOINT POWERS AGENCY)

AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY
COMPLIANCE INFORMATION

November 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
WestEd
San Francisco, California

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of WestEd, as of and for the year ended November 30, 2022, and the related notes to the financial statements, which collectively comprise the WestEd's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the WestEd's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on page 3 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise WestEd's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic 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 March 24, 2023 on our consideration of WestEd's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WestEd's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WestEd's internal control over financial reporting and compliance.



Crowe LLP

Costa Mesa, California
March 24, 2023

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED NOVEMBER 30, 2022
(UNAUDITED)

The following discussion and analysis provides an overview of the financial position and activities of WestEd for the year ended November 30, 2022. It also includes historical data and highlights various financial measures that can be used to assess WestEd's financial condition. This discussion has been prepared by management and should be read in conjunction with the financial statements contained in the following section.

BACKGROUND

WestEd was established as a California Joint Powers Agency (JPA) by Far West Laboratory for Educational Research and Development (FWL) and Southwest Regional Laboratory for Educational Research and Development (SWRL) in 1995. JPAs are public entities formed pursuant to the California Government Code (and consistent with similar statutes in Arizona, Nevada, and Utah), by two or more other public entities.

Both FWL and SWRL were among the original regional educational laboratories established by Congress in 1966. WestEd, like its founding agencies, continues to serve the states of Arizona, California, Nevada, and Utah as the U.S. Department of Education's designated Regional Educational Laboratory - West. The agency's work, administered within three divisions, now extends throughout the United States and abroad. WestEd currently employs 972 regular staff in thirteen offices nationwide.

Sources of Operating Revenue

The agency's contract and grant funding is currently derived from the funding sources listed below.

SOURCES OF OPERATING REVENUE

(\$ in thousands)

	FY 2022	Percent	FY 2021	Percent
Federal Agencies	\$64,898	31%	\$51,047	30%
State Agencies	62,485	29%	40,883	24%
Local Educational Agencies	31,000	15%	30,818	18%
Foundations	12,126	6%	15,402	9%
Other	41,169	19%	33,113	19%
Total	\$211,678	100%	\$171,263	100%

WestEd's funding is obtained primarily through competitive contracts and grants, sole source contracts and grants, and the provision of products and services to clients. WestEd receives contract and grant funding from a variety of organizations and entities, including governmental agencies (federal, state, and local), private foundations, for-profit companies, and other educational organizations (primarily through subcontracts). WestEd does not have an endowment or guaranteed source of financial support. Since its grants and contracts are both short term and multiyear, a certain percentage of the agency's revenue must be replaced each year.

(Continued)

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED NOVEMBER 30, 2022
(UNAUDITED)

BACKGROUND (continued)

Grants vs. Fee Contracts

The mix between contracts and grants received at WestEd is an important factor in the agency's ability to raise working capital to support operations. Grants permit the recovery of actual costs incurred only up to the amount of the award. The best financial outcome from income received by grants is break-even (unlike contracts, which may be fee bearing or fixed price and include a target fee). Contracts that are fee bearing have fees budgeted in a range of three to five percent in most cases.

Nonoperating Revenue

WestEd also generates nonoperating revenue from leasing excess building space, sale of publications, investments, and royalties. Revenue generated from the remaining nonoperating income sources does not have any restriction.

Principal Cost Areas

Agency expenditures include direct costs and indirect costs.

Direct costs, representing 86.6% of revenue for the year ended November 30, 2022, are those directly associated with project work. Direct costs include standard direct costs, and service center costs. Standard direct costs include salaries, benefits, travel, consultants, subcontracts, and facilities. Service center costs, related to activities directly supporting project work, include information technology, human resources, general administration, and program services. These costs are considered "direct" for cost accounting purposes and are part of the base used for allocating indirect costs.

Indirect costs include those related to supporting the Board of Directors, the CEO's office, communications, resource development, contracts, legal, accounting, and finance activities. WestEd's approved provisional indirect rate for fiscal year 2022 was 14.20%. This rate is negotiated every year with the US. Department of Education and accepted by all other Federal Agencies. Actual indirect rate at year-end was 14.31%. The indirect rate is applied to modified direct costs. Modified direct costs are total direct costs less items of equipment, alterations and renovations, stipends, and the portion of each competitive bid sub-award in excess of \$25,000 per year.

The information presented in the following section should be read in the context of WestEd's cost structure, as described above.

(Continued)

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED NOVEMBER 30, 2022
(UNAUDITED)

FINANCIAL HIGHLIGHTS

- Total Operating Revenues through the fiscal year ended November 30, 2022, were \$211.7 million compared to \$171.3 million in FY 2021, an increase of \$40.4 million (23.6%). Expenses were managed and WestEd ended the year profitably with a positive operating income margin of 2.5%.
- Change in net position for the fiscal year ended November 30, 2022 was \$1.6 million compared with \$5.8 million in FY 2021, a decrease of \$4.2 million (72.4%).
- WestEd's financial position at November 30, 2022, included total assets of \$158.0 million, liabilities of \$53.3 million and deferred inflow of resources of \$0.7 million. Net position, which represents the residual interest in WestEd's assets after liabilities are deducted, totaled \$104.0 million. The capital assets component of the net position total was \$11.0 million, restricted net position was \$1.4 million and the unrestricted net position component was \$91.6 million as of November 30, 2022. WestEd's net position on November 30, 2021, was \$102.5 million.
- WestEd implemented GASB Statement No. 87, *Leases* (GASB 87), effective December 1, 2021. This statement requires leases to be recognized and measured using facts and circumstances that existed at the beginning of the period of implementation. The implementation had no impact to beginning net position, therefore fiscal year 2021 balances have not been restated. Assets and Liabilities for the current fiscal year have increased by \$8.2 million and \$8.6 million respectively. Prior fiscal year balances presented in the MD&A were not adjusted to reflect the impacts of GASB 87.

STATEMENTS OF NET POSITION

The statements of net position present the financial position of the organization at the end of an accounting period and include all assets, liabilities, and deferred inflow of resources of WestEd. The difference between total assets, total liabilities and deferred inflow of resources is net position. This is one indicator of the current financial condition of WestEd. While the change in net position is an indicator of whether the overall financial condition has improved or worsened during the reporting period, it is not the only indicator. This should be looked at within the context of other financial measures.

Assets and liabilities are generally measured using current values. This does not include capitalized items that are measured by their historical cost, less accumulated depreciation.

(Continued)

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED NOVEMBER 30, 2022
(UNAUDITED)

STATEMENTS OF NET POSITION (continued)

A comparison of WestEd's assets, liabilities, deferred inflow of resources and net position at November 30, 2022, and 2021, is as follows:

STATEMENTS OF NET POSITION

(\$ in thousands)

	FY 2022	FY 2021
Current assets	\$ 86,069	\$66,250
Long-term investments	60,362	69,383
Capital assets, net	11,052	3,826
Long-term lease receivable	479	-
Total assets	157,962	139,459
Current liabilities	46,093	36,020
Long-term accrued vacation	877	987
Long-term lease liabilities	6,237	-
Total liabilities	53,207	37,007
Deferred inflow of resources related to leases	738	-
Total deferred inflow of resources	738	-
Net position	\$ 104,017	\$102,452

Current Assets

Current assets consist primarily of cash, trade accounts receivable, lease receivable, short-term investments, publications inventory, prepaid expenses and other assets. These accounts totaled \$86.0 million at November 30, 2022 and \$66.3 million at November 30, 2021. Receivables increased year over year, driven largely by California State Agencies. Additionally, \$8 million of Short-Term Investments and \$3 million of Long-Term Investments were converted to cash during FY 2022 to fund increased working capital needs.

Long-Term Investments

Long-term investments are securities that have a maturity date of more than one year that totaled \$60.4 million at November 30, 2022 and \$69.4 million at November 30, 2021. The decrease in fiscal year 2022 was due to a net decrease in the purchases of longer-term securities and a portion was converted to cash to fund working capital as noted above.

Capital Assets- Property and Equipment

Property and equipment consist of building and leasehold improvements, equipment, and furniture. Property and equipment totaled \$3.6 million at November 30, 2022 and \$3.8 million at November 30, 2021. The decrease in fiscal year 2022 was primarily due to routine depreciation.

(Continued)

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED NOVEMBER 30, 2022
(UNAUDITED)

STATEMENTS OF NET POSITION (continued)

Capital Assets – Lease Right-to-Use

Effective December 1, 2021, WestEd has implemented Governmental Accounting Standards Board Statement 87 (GASB 87) that changes how WestEd records many of its operating leases. The foundational principle behind the change is that these leases are not just regular monthly expenses but rather are a type of long-term financing and, therefore, both an asset and a liability need to be recorded. In the case where WestEd is leasing office space from others, WestEd will now record a non-current asset representing the right to use that office space for the period of the lease. This is now a line item under Capital Assets called "Lease Right-to-Use" with a balance as of November 30, 2022, of \$7.4 million.

Long-Term Lease Receivable

Lease receivable represents the present value of lease payments expected to be received during the lease term over one year. Total long term lease receivable amounted to \$0.5 million.

Current Liabilities

Current liabilities consist of accounts payable and accrued liabilities, accrued compensation and benefits, accrued vacation, contract advances and lease liabilities. These accounts totaled \$46.1 million at November 30, 2022, and \$36.0 million at November 30, 2021. The increase of \$10.1 million (28.0%) in FY 2022 was due to increases in accounts payable, contract advances, lease liabilities, accrued compensation and benefits.

Long-Term Accrued Vacation

Long-term accrued vacation consists of total accrued vacation less current portion. Long term accrued vacation totaled \$0.9 million at November 30, 2022, and \$0.9 million at November 30, 2021.

Long-Term Lease Liabilities

Long-term lease liabilities represent the present value of future lease payments over one year. This is now a line item on WestEd's Statements of Consolidated Net Position called "Lease-Liability" with a balance as of November 30, 2022, of \$6.2 million. Over the period of the lease, WestEd will book amortization of the Lease-Right to Use asset and will also reduce the Lease-Liability by actual lease payments when made and recognize derived interest expense. WestEd is both a lessee and a lessor.

Deferred Inflow of Resources

Deferred inflow of resources represents an acquisition of net position that is applicable to a future reporting period. Total deferred inflow of resources amounted to \$0.7 million.

Net Position

The net position balance represents the residual interest in WestEd's assets after liabilities and deferred inflow of resources are deducted. WestEd's net position at November 30, 2022 and 2021 is summarized below.

(Continued)

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED NOVEMBER 30, 2022
(UNAUDITED)

STATEMENTS OF NET POSITION (continued)

NET POSITION
(\$ in thousands)

	FY 2022	FY 2021
Net Investment In capital assets	\$11,053	\$3,826
Restricted	1,387	1,132
Unrestricted	91,577	97,494
Total net position	\$104,017	\$102,452

Net investment in capital assets consists of capital assets net of accumulated depreciation and amortization.

Restricted net position represents royalties from the California Department of Education that are restricted in their use.

Unrestricted net position represents funds that have no restrictions concerning their use. They can be used to fund any WestEd activity. The decrease of \$5.9 million in unrestricted was due to the recording of lease right-to-use capital assets in the amount of \$7.4 million, and positive operating income and non-operating revenues (expenses) of \$1.5 million .

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statements of revenues, expenses, and changes in net position present WestEd's results of operations during the current year ended November 30, 2022, and 2021.

CHANGES IN NET POSITION
(\$ in thousands)

	FY 2022	FY 2021
Operating revenues		
Federal Agencies	\$64,898	\$51,047
State Agencies	62,485	40,883
Local Educational Agencies	31,000	30,818
Foundations	12,126	15,402
Other	41,169	33,113
Total operating revenues	211,678	171,263
Operating expenses	206,300	164,807
Total operating income	5,378	6,456
Non-operating revenues (net of Non-operating expenses)	(3,813)	(617)
Changes in net position	\$1,565	\$5,839

(Continued)

WESTED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED NOVEMBER 30, 2022
(UNAUDITED)

WestEd's operating revenues increased by 23.6% in fiscal year 2022 compared to fiscal year 2021. The increase was due to the year-over-year increase in Federal, State, and Other funding source categories.

Operating income in the fiscal year ended November 30, 2022, was \$5.4 million, a decrease of \$1.1 million compared to 2021.

Non-operating revenues (net of non-operating expenses) decreased by \$3.2 million in fiscal year 2022 primarily due to an increase in net unrealized investment losses.

Request for Information

We hope that the preceding information has provided you with a general overview of WestEd's overall financial status. For questions or comments concerning information contained in this report, please contact the Office of the Controller, 3020 Old Ranch Parkway, Suite 220, Seal Beach, CA 90740.

FINANCIAL STATEMENTS

WESTED
STATEMENT OF NET POSITION
November 30, 2022

	<u>2022</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 22,636,270
Short-term investments	5,840,929
Receivables	54,033,394
Inventory	218,572
Prepaid expenses and other assets	3,073,827
Lease receivable	<u>265,841</u>
Total current assets	86,068,833
Long-term investments	60,362,326
Capital assets, net	11,052,641
Long-term lease receivable	<u>478,446</u>
Total assets	<u>\$ 157,962,246</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 9,281,985
Accrued compensation and benefits	14,013,780
Accrued vacation	5,867,182
Advances	15,049,704
Lease liabilities	<u>1,880,208</u>
Total current liabilities	46,092,859
Long-term accrued vacation	877,390
Long-term lease liabilities	<u>6,236,522</u>
Total liabilities	<u>53,206,771</u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources related to leases	<u>738,070</u>
Total deferred inflow of resources	<u>738,070</u>
NET POSITION	
Net position	
Net investment in capital assets	11,052,641
Restricted	1,387,567
Unrestricted	<u>91,577,197</u>
Total net position	<u>104,017,405</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 157,962,246</u>

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

WESTED
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended November 30, 2022

	<u>2022</u>
Operating revenues:	
Federal Agencies	\$ 64,897,986
State Agencies	62,484,947
Local Education Agencies	31,000,415
Foundations	12,126,489
Other	<u>41,168,587</u>
Total operating revenues	<u>211,678,424</u>
Operating expenses:	
Direct expenses	
Employee compensation and benefits	110,883,026
Subawards, subcontracts, outside services, travel, and other direct costs	<u>72,356,335</u>
Total direct expenses	183,239,361
Indirect expenses	<u>23,061,450</u>
Total operating expenses	<u>206,300,811</u>
Operating income	5,377,613
Non-operating revenues (expenses):	
Rental and parking, net	403,373
Publication sales, net	84,795
Investment income (loss), net	(3,704,160)
Other revenues	31,094
Other expenses	<u>(628,196)</u>
Total non-operating revenues (expenses)	<u>(3,813,094)</u>
Changes in net position	1,564,519
Net position, beginning of year	<u>102,452,886</u>
Net position, end of year	<u>\$ 104,017,405</u>

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

WESTED
STATEMENT OF CASH FLOWS
For the year ended November 30, 2022

	<u>2022</u>
Cash flows from operating activities	
Federal agencies	\$ 62,111,393
State agencies	49,363,120
Local education agencies	32,423,261
Foundations	12,282,638
Other	44,234,169
Other (payments) receipts	(202,376)
Cash payments to employees for direct expense services	(108,477,821)
Cash payments for subawards, subcontracts, outside services, travel, and other direct costs	(65,844,038)
Cash payments for indirect costs	<u>(23,539,087)</u>
Net cash provided by operating activities	2,351,259
Cash flows from capital and related financing activities	
Purchases of fixed assets	(642,691)
Principal and interest received on leases	99,761
Principal and interest paid on leases	<u>(1,882,297)</u>
Net cash used in financing activities	(2,425,227)
Cash flows from investing activities	
Purchase of investments	(17,186,370)
Proceeds from sales and maturities of investments	26,694,320
Interest received	<u>1,203,569</u>
Net cash provided by investing activities	<u>10,711,519</u>
Net increase in cash and cash equivalents	10,637,551
Cash and cash equivalents at beginning of year	<u>11,998,719</u>
Cash and cash equivalents at end of year	<u><u>\$ 22,636,270</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities	
Operating Income	\$ 5,377,613
Depreciation and amortization	2,677,109
Loss on disposal of fixed assets	3,191
Other revenue	(169,866)
Increase in receivables	(13,832,258)
Decrease in inventory	23,624
Increase in lease liabilities	690,068
Increase in prepaid expenses and other assets	(501,261)
Increase in accounts payable and accrued liabilities	3,109,419
Increase in accrued compensation and benefits	1,906,489
Increase in accrued vacation	498,717
Increase in advances	<u>2,568,414</u>
Net cash provided by operating activities	<u><u>\$ 2,351,259</u></u>

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

NOTE 1 – ORGANIZATION

WestEd is a Joint Powers Agency and was established on December 1, 1995, pursuant to the provisions of Title 1, Division 7, Chapter 5, Article I of the California Government Code. WestEd was established as a public agency for the joint exercise of powers between Far West Regional Laboratory for Educational Research and Development (“FWL”) and Southwest Regional Laboratory for Educational Research and Development (“SWRL”). WestEd operations are involved in education research, development and service dedicated to improving education and other opportunities for children, youth and adults. In addition to its work across the nation, WestEd serves as the regional education laboratory for Arizona, California, Nevada and Utah.

WestEd is governed by a Board of Directors (the “Board”), the members of which includes designated board members of FWL and SWRL, and additional members as appointed by the Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of WestEd conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The significant accounting policies are herein described to enhance the usefulness of the accompanying financial statements to the reader.

Fund Accounting: The accounts of WestEd are organized on the basis of an enterprise fund, the operations of which are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles. Under the accrual basis, revenue is recorded when earned and expenses are recorded when incurred, without regard to the timing of cash receipt or payment.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

Funding Sources: WestEd’s operations are principally funded through contracts and grants awarded by the federal government, state agencies, local governments, and other private entities.

Revenue Recognition for Grants and Contracts: Revenue is deemed to be earned and reported when all eligibility requirements imposed by the provider have been met. In addition, for income derived from royalty and tuition type contracts, WestEd will recognize revenues when earned as defined per contract agreement. Losses on contracts are recognized when identified.

Cost Allocation: Expenses identified with specific projects are charged directly to the appropriate grant or contract. Occupancy costs are allocated on the basis of labor hours. Fringe benefits are allocated at a target rate of 63.0% (43.5% for fringe and 19.5% for leave) of employees’ direct labor costs for 2022. Indirect expenses are allocated to all grants, contracts and other non-operating expenses based on direct costs. The actual indirect rate was 14.31% for 2022. Indirect costs on sub-award costs are only charged to the first \$25,000 of costs of each sub-award per year.

In accordance with policies adopted by the U.S. Department of Education, WestEd uses cost principles set forth in OMB Uniform Grant Guidance.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: WestEd considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. Investments that have characteristics of demand deposits allowing WestEd to deposit or withdraw funds at any time without prior notice or penalty are included in cash equivalents.

Receivables: Receivables include amounts owed to WestEd from private individuals or organizations for services rendered. Included in receivables are unbilled amounts for which the services have been rendered but not yet billed.

Allowance for Uncollectible Receivables: A portion of receivables are estimated not to be collectible. The balance in this account is reported as a deduction from receivables to indicate a net receivables amount.

Lessee: WestEd is a lessee for noncancellable leases of office space and equipment. WestEd recognizes a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements. WestEd recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, WestEd initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how WestEd determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- WestEd uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, WestEd generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that WestEd is reasonably certain to exercise.

WestEd monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets, lease liabilities and deferred inflow of resources on the statement of net position.

Lessor: WestEd is a lessor for a noncancellable lease of an office space. WestEd recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, WestEd initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key estimates and judgments include how WestEd determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- WestEd uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

WestEd monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Investments: WestEd records investments at fair value on the Statement of Net Position. The fair value of investments, primarily debt securities, is based on quoted market values. Unrealized gains and losses on investments are included in nonoperating revenues as net investment income or loss. Short-term investments are securities that have a maturity date of one year or less, net of cash equivalents. Long-term investments are securities that have a maturity date of more than one year.

Inventory: Inventory consists of publications and supplies and are stated at the lower of cost or market value using the first in, first out cost allocation method.

Capital Assets- Property and Equipment: Acquisitions of property and equipment costing \$5,000 or more are capitalized. Property and equipment are carried at historical cost. Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in other non-operating revenues.

Depreciation and amortization of property and equipment are provided on the straight-line method over the following useful lives:

Building Improvements	3 - 30 years
Leasehold Improvements	3 - 10 years
Office Furniture and Equipment	5 - 10 years
Computer Equipment and Software	3 - 5 years
Right-to-use leased office space	3 - 15 years
Right-to-use leased equipment	5 - 10 years

Leasehold improvements and leases are amortized over the lesser of the useful life of the asset or term of the lease.

Accrued Vacation: It is WestEd's policy to permit employees to accumulate earned but unused vacation leave benefits. Such benefit is accrued as earned by employees. The estimated accrued vacation due within one year is included as current liability and the balance is included as a long-term liability.

Advances: Advances consist of amounts received on contracts, grants and agreements in excess of costs incurred. The amounts received in excess of costs will be recognized as revenue in the future as services are rendered and costs are incurred.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2022

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at November 30, 2022, consist of:

	<u>2022</u>
Checking accounts	\$ 22,319,722
Money market funds	<u>316,548</u>
Total	<u>\$ 22,636,270</u>

The *California Government Code* requires California banks and savings and loan associations to secure WestEd's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits and collateral is considered to be held in the name of WestEd. As of November 30, 2022, WestEd had no bank balances exposed to custodial credit risk.

NOTE 4 – INVESTMENTS

WestEd's investment policies comply with California Government Code, which permits investments in U.S. Treasury obligations; U.S. agency obligations; Money market instruments including Bankers Acceptances, Certificates of Deposit and Commercial Paper; certain Medium Term Notes; Mortgage Pass-Through and Asset-Backed Securities; Supranational Securities; and certain Money Market Funds.

Investments include both short-term and long-term investments. WestEd held the following investments at November 30, 2022.

<u>Description</u>	<u>Moody's Rating</u>	<u>Fair Value</u>	<u>Weighted Average Yield</u>	<u>Weighted Average Maturity</u>	<u>Percentage of Portfolio</u>
<u>November 30, 2022</u>					
U.S. Treasury notes	Aaa	\$18,204,392	1.74%	3.04 years	27.50%
Federal Agencies	Aaa	15,795,510	1.56%	2.20 years	23.86%
Supranational	Aaa	5,282,132	0.67%	2.69 years	7.98%
U.S. corporate	A1	18,156,621	2.07%	2.65 years	27.42%
Asset-backed securities	Aaa	7,863,480	2.10%	3.38 years	11.88%
CMO	NR	<u>901,120</u>	4.41%	6.82 years	<u>1.36%</u>
Total investments		<u>\$ 66,203,255</u>			<u>100.00%</u>

Interest Rate Risk: Interest rate risk refers to the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that WestEd manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing as necessary to provide cash flow and liquidity needed for operations.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2022

NOTE 4 – INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, WestEd will not be able to recover the value of its investments that are in the possession of an outside party. At year-end, WestEd’s total investment balance is not exposed to custodial credit risk and there was no securities lending.

Credit Risk: WestEd’s investment policy is controlled by Section 53601 of the California Government Code. Per Section 53601.7, investments in long-term debt shall be rated at least “A” without regard to modifiers by Standard & Poor’s Corporation, Moody’s Investors Service, or Fitch Ratings. As of November 30, 2022, WestEd is in compliance with its investment policies regarding credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The table below indicates the investments held with any one issuer representing more than 5% of total investments.

At November 30, 2022, the credit ratings of investments by investment type were as follows:

	Moody’s Rating	% of Portfolio
Investments		
Fed Home Loan Bank	Aaa	9%
Fed National Mortgage Association	Aaa	7%
U. S. Treasury notes	Aaa	<u>27%</u>
		43%
Other issuers (in aggregate)	Aaa – NR	<u>57%</u>
		<u>100%</u>

Investment and management fees aggregating \$64,811 were paid for the year ended November 30, 2022. WestEd had a net unrealized loss totaling \$4,742,755 in 2022. For the years ended November 30, 2022, WestEd recognized a net realized loss of \$164,974. Net realized gains and losses were recorded net of related investment and management fees. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Fair Value of Investments: WestEd measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value on a recurring basis as of November 30, 2022:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include WestEd's own data. WestEd should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to WestEd are not available to other market participants.

WestEd’s investments as of November 30, 2022, were all calculated using Level 2 inputs.

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2022

NOTE 5 – RECEIVABLES

Receivables at November 30, 2022, consist of the following:

	<u>2022</u>
Due from Federal Agencies	\$ 9,249,984
Due from State Agencies	32,471,348
Due from Local Education Agencies	4,727,656
Due from Foundations	524,621
Due from Other	<u>7,329,788</u>
	54,303,397
Less allowance for doubtful accounts	<u>(270,003)</u>
Total	<u>\$ 54,033,394</u>

NOTE 6 – LEASE RECEIVABLE AND DEFERRED INFLOW OF RESOURCES

During the current fiscal year, WestEd renewed leasing one of its floors of its building to a third party. The lease is for thirty-six months and WestEd will receive variable monthly payments of \$22,045 - \$24,810 per month. WestEd recognized \$86,041 in lease revenue and \$7,502 in interest revenue during the current fiscal year related to this lease. As of November 30, 2022, WestEd's receivable for lease payments was \$744,287. Also, WestEd has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of November 30, 2022, the balance of the deferred inflow of resources was \$738,070.

NOTE 7 – CAPITAL ASSETS

Changes in property and equipment for the year ended November 30, 2022, are shown below:

	Balance December 1, <u>2021</u>	<u>Additions</u>	<u>Deductions</u>	Balance November 30, <u>2022</u>
Building improvements and leasehold improvements	\$ 16,645,865	\$ 235,125	\$ 104,729	\$ 16,776,261
Furniture	2,838,119	225,247	328,000	2,735,366
Equipment	<u>2,227,563</u>	<u>180,869</u>	<u>198,146</u>	<u>2,210,286</u>
Total property and equipment	<u>21,711,547</u>	<u>641,241</u>	<u>630,875</u>	<u>21,721,913</u>
Less accumulated depreciation:				
Building improvements and leasehold improvements	13,268,395	614,821	104,729	13,778,487
Furniture	2,601,484	121,310	326,359	2,396,435
Equipment	<u>2,015,332</u>	<u>97,509</u>	<u>198,046</u>	<u>1,914,795</u>
Accumulated depreciation	<u>17,885,211</u>	<u>833,640</u>	<u>629,134</u>	<u>18,089,717</u>
Property and equipment, net	<u>\$ 3,826,336</u>	<u>\$ (192,399)</u>	<u>\$ 1,741</u>	<u>\$ 3,632,196</u>

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2022

NOTE 7 – CAPITAL ASSETS (Continued)

Changes in lease right-to-use for the year ended November 30, 2022, are shown below:

	Balance December 1, <u>2021</u>	<u>Additions</u>	<u>Deductions</u>	Balance November 30, <u>2022</u>
Right-to-use-leased office space	\$ 9,149,738	\$ -	\$ 2,055	\$ 9,147,683
Right-to-use leased equipment	<u>116,255</u>	<u>-</u>	<u>24</u>	<u>116,231</u>
Total Right-to-use leases	<u>9,265,993</u>	<u>-</u>	<u>2,079</u>	<u>9,263,914</u>
Less accumulated amortization:				
Right-to-use leased office space	-	1,812,474	-	1,812,474
Right-to-use leased equipment	<u>-</u>	<u>30,995</u>	<u>-</u>	<u>30,995</u>
Accumulated amortization	<u>-</u>	<u>1,843,469</u>	<u>-</u>	<u>1,843,469</u>
Right-to-use leases, net	<u>\$ 9,265,993</u>	<u>\$ (1,843,469)</u>	<u>\$ 2,079</u>	<u>\$ 7,420,445</u>
Property, equipment and Right-to-use, net	<u>\$ 13,092,329</u>	<u>\$ (2,035,868)</u>	<u>\$ 3,820</u>	<u>\$ 11,052,641</u>

The depreciation expense for the year ended November 30, 2022 was \$833,640 and amortization expense was \$1,843,469. The Los Alamitos building and San Francisco land and building in which WestEd maintains operations, are recorded in the accounting records of SWRL and FWL, respectively.

NOTE 8 – ADVANCES

Advances at November 30, 2022, consist of the following:

	<u>2022</u>
Contract advances	\$ 15,018,798
Tenant advances	<u>30,906</u>
Total	<u>\$ 15,049,704</u>

These advances will be realized in the future as services are rendered and costs are incurred.

NOTE 9 – ACCRUED VACATION

Accrued vacation for the year ended November 30, 2022, are as follows:

	<u>2022</u>
Beginning balance, December 1	\$ 6,245,855
Additions	7,653,219
Reductions	<u>(7,154,502)</u>
Ending balance, November 30, 2022	6,744,572
Current portion-due within one year	<u>5,867,182</u>
Long-term portion	<u>\$ 877,390</u>

(Continued)

WESTED
NOTES TO FINANCIAL STATEMENTS
November 30, 2022

NOTE 10 – LEASE LIABILITY

WestEd entered into six office leases and one equipment lease. The leases have interest rate of 0.25%, and a remaining estimated life of between 2 – 6 years. WestEd made \$1,859,477 in principal payments and \$22,820 of interest payments related to these leases for the fiscal year ended November 30, 2022.

Principal and interest payments thereafter:

Year ending November 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,880,208	\$ 18,173	\$ 1,898,381
2024	1,796,710	13,396	1,810,106
2025	1,366,978	9,524	1,376,502
2026	1,374,442	6,119	1,380,561
2027	1,039,016	2,909	1,041,925
2028	<u>659,376</u>	<u>692</u>	<u>660,068</u>
Total lease liability	<u>\$ 8,116,730</u>	<u>\$ 50,813</u>	<u>\$ 8,167,543</u>

NOTE 11 – RETIREMENT AND FLEXIBLE BENEFIT PLANS

WestEd provides a defined contribution annuity purchase retirement plan for all regular and fixed-term, full-time and eligible part-time employees. Contributions are equal to 15% of the participants' salary subject to Internal Revenue Service (IRS) limits, are funded as incurred, and were \$14,818,580 for the year ended November 30, 2022.

In addition, eligible employees may make additional contributions to a Supplemental Retirement/Tax Deferred Annuity (SRA). The amount the employee may contribute pre-tax is based on an Internal Revenue Service (IRS) formula.

Employees also have the option of participating in a contributory Flexible Benefit Plan. Employees make voluntary contributions of pre-tax wages. Based on the contributions, the plan reimburses employees for qualified expenses which amounted to \$948,035 for the year ended November 30, 2022.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Federal Contracts: Federal contracts and grants are subject to government review within three to five years of the contract's expiration. In the opinion of management, any disallowed expenditures resulting from government review would not have a material adverse effect on the overall financial statements at November 30, 2022.

NOTE 13 – RELATED PARTIES

WestEd is provided office space to conduct its operations in Los Alamitos, California and San Francisco, California. These office spaces are owned by FWL and SWRL and are provided to WestEd free of charge.

SUPPLEMENTARY INFORMATION

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
RESEARCH AND DEVELOPMENT CLUSTER:				
U.S. Department of Education – Direct:				
Comprehensive Regional Assistance Centers	N/A	84.283B	\$ -	\$ 6,504,168
Comprehensive Regional Assistance Centers	N/A	84.283B	443,295	2,549,122
Comprehensive Regional Assistance Centers	N/A	84.283B	<u>20,152</u>	<u>1,597,220</u>
Comprehensive Centers		84.283B	463,807	10,650,510
Sub-baccalaureate Career and Technical Education:				
A Study of Institutional Practices, Labor Market Demand, and Student Outcomes in Florida	N/A	84.305	-	287,828
Improving Children's Understanding of Mathematical Equivalence:				
An Efficacy Study	N/A	84.305A	-	1,234
Word Learning Strategies: A Program for Upper-Elementary Readers	N/A	84.305A	-	125
Investigating the Use of Virtual Labs to Promote Chemical Reasoning and Practice Skills				
Exploring the Spatial Alignment Hypothesis in STEM Learning Environments	N/A	84.305A	-	112,757
Efficacy of ASSISTment Online Homework Support for Middle School Mathematics Learning: A Replication Study	N/A	84.305A	-	284,464
Efficacy Study of Adventures Aboard the S.S.GRIN: Social, Emotional, and Academic Skills				
Efficacy Study of an Integrated Science and Literacy Curriculum for Young Learners	N/A	84.305A	36,187	652,296
An Efficacy Study of the Math Spring Personalized Learning System That Responds to Student Affect	N/A	84.305A	-	699,863
Does School-Level Fiscal Flexibility Reduce Inequality in Student Achievement? New Evidence from Title I	N/A	84.305A	156,552	585,723
Improving Outcomes and Accelerating Completion with Corequisite Remediation in Mathematics: An Efficacy Study				
Exploring Trends and Heterogeneity in the Timing and Effects of English Learner Reclassification: A Systematic Review and Meta-Analysis	N/A	84.305A	-	285,636
Evaluating the Efficacy of Math by Example	N/A	84.305A	64,526	174,955
Formative Assessment Bundling Literacy and Elementary Science in the NGSS	N/A	84.305A	238,189	693,922
Leveraging Technology to Improve Children's Understanding of Mathematical Equivalence	N/A	84.305A	274,813	585,209
Elevating Engineering with English Learners	N/A	84.305A	111,828	408,265
Improving Children's Math Skills through a Personalized Early Learning Technology Solution: An Efficacy Study				
Learning Technology Solution: An Efficacy Study	N/A	84.305A	-	161,248
			-	74,295

(Continued)

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
U.S. Department of Education – Direct (Continued):				
National Research and Development Center to Improve Education for Secondary English Learners	N/A	84.305C	\$ 527,802	\$ 1,738,222
Continuous Improvement of a What Works Clearinghouse Rated Early Mathematics Intervention	N/A	84.305H	-	345
Adult Numeracy in the Digital Era: Adaptive Technology for Quantitative and Digital Literacy	N/A	84.305N	12,523	492,853
A Systematic Replication Study of Interleaved Mathematics Practice	N/A	84.305R	-	149,452
National Replication Study of the Effects of Self-Affirmation on Black and Latinx Students' Academic, Disciplinary and Socio-emotional Outcomes in Different School Settings	N/A	84.305R	-	186,483
Education Research, Development and Dissemination		84.305	1,422,420	8,449,877
Collective Impact for Part C Child Find	N/A	84.326M	-	344,398
Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	N/A	84.326R	-	7,198,468
Special Education, Technical Assistance and Dissemination		84.326	-	7,543,406
The Early Math Initiative: Scaling an Innovative Intervention to Prepare Children from Elementary School Mathematics	N/A	84.411A	-	3,281,388
Accelerating Literacy through Self-Regulation, Collaboration and Persistence: Reading Apprenticeship in North Carolina	N/A	84.411B	-	676,242
Citizen Math: Using Math Class to Create Informed, Thoughtful, and Productive Citizens	N/A	84.411B	-	1,044,175
i3 Investing in Innovation Fund		84.411	-	5,001,805
EAC Region IV--Western Educational Equity Assistance Center	N/A	84.004D	-	80,135
Systematic Replication of Pre-K Mathematics Tutorial: The Effect of Variation in the Intervention Delivery Model on Mathematics Achievement of At-Risk Preschool Children	N/A	84.324R	21,184	792,820
Special Education: Technical Assistance on State Data Collection – IDEA Fiscal Data Center	N/A	84.373F	-	10

(Continued)

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
U.S. Department of Education – Direct (Continued):				
Center for IDEA Fiscal Reporting	N/A	84.373F	\$ -	\$ 3,942,119
Supporting Effective Teaching with Disciplinary Inquiry	N/A	84.423A	11,400	4,229,434
The Bridge Project: Statewide Supports for Future Illinois Principals of Color	N/A	84.423A	-	10,846
The Center to Improve Social and Emotional Learning and School Safety	N/A	84.424B	239,529	1,245,801
U.S. Department of Education – Passed-Through Others:				
<u>Passed through Maryland State Department of Education:</u>				
WestEd Service Plan for MSDE: Title I Four Domains Framework	C-00018211	84.010	-	5,972
<u>Passed through Westat, Inc.:</u>				
Region 14 Comprehensive Center	6730-S-002	84.283B	-	741,650
<u>Passed through North Carolina State University:</u>				
Improving Conceptual Knowledge in Upper Elementary Science with Scaffolded Sketch-Based Modeling	R305A210358	84.305A	-	90,273
<u>Passed through American Institutes for Research:</u>				
Evaluating the Effectiveness of ASSISTments for Improving Math Achievement	0440300002	84.305A	-	53,663
Building and Sustaining the Capacity of Local Math Coaches to Support College-and-Career-Ready Mathematics Instructions	0482000002	84.305A	-	18,643
Evaluation of PACT: Replication in a Train-the-Trainers Context ("Project")	0501100003	84.305R	-	26,764
<u>Passed through Arizona Department of Education:</u>				
State Personnel Development Grant	agreement 16-03-EDSG	84.323A	-	20
<u>Passed through Regents of the University of Minnesota:</u>				
National Technical Assistance Center	63235	84.326G	-	189,869
Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities and Technical Assistance on State Data Collection--National Assessment Center	A009735903	84.326G	-	209,102

(Continued)

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
U.S. Department of Education – Passed-Through Others (Continued):				
<u>Passed through ASSISTments Foundation Inc.:</u>				
Recovering from COVID-Learning-Loss with a Platform to Support Human Tutoring	22-001	84.411B	\$ -	\$ 99,197
<u>Passed through Worcester Polytechnic Institute:</u>				
Scaling Teachers' Professional Development for ASSISTments	10756-GR	84.411B	-	279,626
<u>Passed through Sonoma State University:</u>				
Education Innovation and Research Program Early Phase	118065	84.411C	-	114,166
Total U.S. Department of Education			<u>1,715,045</u>	<u>43,775,708</u>
U.S. Department of Health and Human Services - Direct				
Predictive validity of ECERS-3 rating thresholds used in Quality Rating and Improvement Systems	N/A	93.575	-	2,942
U.S. Department of Health and Human Services – Passed-Through Others:				
<u>Passed through Urban Strategies LLC:</u>				
Teen Pregnancy Prevention Tier 2, Phase II Rigorous Evaluation of Promising Intervention	TP2AH000078	93.297	-	225,320
<u>Passed through Prisms of Reality, Inc.:</u>				
NIH Phase I SBIR Grant	1R43GM142301-01	93.859	-	84,000
<u>Passed through Killer Snails, LLC:</u>				
Venom Squad: Building Skills and Interest in Stem with Collaborative Augmented Reality	C-00019414	93.859	-	6,771
<u>Passed through Lighthouse, Inc.:</u>				
Interactive Digital Media STEM Resources for Pre-College and Informal Science Education Audiences (SBIR) (R43/44 Clinical Trial Not Allowed)	C-00016772	93.859	-	168,518

(Continued)

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
U.S. Department of Health and Human Services – Passed-Through Others				
(Continued):				
<u>Passed through d'Vinci Interactive Inc.:</u>				
"Blueprint of Life" Genomic Literacy Tool: An interactive to enhance genetic and genomic understanding with middle/high school students and their teachers through personal genetics and human disease	2R44GM133222-02	93.859	\$ -	\$ 73,639
Total U.S. Department of Health and Human Services			-	561,190
National Science Foundation – Direct:				
Modest Supports for Sustaining Professional Development Outcomes over the Long-Term	N/A	47.076	-	536
Professional Resources & Inquiry in Mathematics Education for K-8 Teacher Education	N/A	47.076	25,210	49,754
Video in the Middle: Flexible Digital Experiences for Mathematics Teacher Education	N/A	47.076	-	541,736
Scaling Up through Networked Improvement (SUNI): Testing a practical theory about improving math outcomes for developmental students at scale	N/A	47.076	63,404	595,628
An Efficacy Study of a Comprehensive, Middle School Science Curriculum that Integrates Disciplinary Core Ideas, Science and Engineering Practices, and Crosscutting Concepts	N/A	47.076	34,092	442,026
Teacher Professional Learning to Support Student Motivational Competencies During Science Instruction	N/A	47.076	-	89,251
Collaborative Research: Building a Computational Thinking Foundation in Upper Elementary Science with Narrative-Centered Maker Environments	N/A	47.076	-	107,360
NSF INCLUDES: Supporting Emerging Aquatic Scientists (SEAS) Islands Alliance	N/A	47.076	-	138,789
Supporting Instructional Decision Making: The Potential of Automatically Scored Three-dimensional Assessment System	N/A	47.076	-	152,686
Boosting Data Science Teaching and Learning in STEM	N/A	47.076	96,086	818,419
Examining the Role of Racial Identity and Personal Experiences in Equity-focused Computer Science Learning	N/A	47.076	-	123,412
Computer Science Connections: Using Data Science to Broaden Participation in Middle School	N/A	47.076	50,820	140,417
Examining Transfer Between Programming Languages in Computer Science	N/A	47.076	-	41,709

(Continued)

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
National Science Foundation – Direct (Continued):				
Empowering Changemakers: Urban Biodiversity Initiative for Teachers and Youth	N/A	47.076	\$ -	\$ 64,400
Collaborative Research: Analogy Training to Promote Science Learning	N/A	47.076	-	601
Education and Human Resources - Direct	N/A	47.076	269,612	3,306,724
GP-IN: GLOBE Youth Geoscientists Program	N/A	47.050	86,909	148,871
Understanding Teacher Enactment of New Science Standards and Needs for Implementation Support	N/A	47.RD	-	374
National Science Foundation - Passed-Through Others:				
<u>Passed through NOT SUSPICIOUS, LLC:</u>				
SBIR Phase II: A Virtual-Reality Next-Generation Introductory STEM Platform	C-00018483	47.041	-	57,569
<u>Passed through Prisms of Reality, Inc.:</u>				
SBIR Phase II: Adaptive Experiential Learning Platform to Close Learning Gaps in Secondary Algebra	C-00018739	47.041 89,666	-	
<u>Passed through Computer Science Teachers Association:</u>				
Matching Experienced and Novice Teachers for Ongoing Rigorous Support in Computer Science (MENTORS in CS)	C-00018739	47.070	-	40,952
<u>Passed through American Physical Society:</u>				
A National Network for Access and Inclusion in Physics Graduate Education	INCA-002-2018	47.076	-	152,849
<u>Passed through Educational Development Center, inc.:</u>				
Community for Advancing Discovery Research in Education(CADRE): Expanding the Reach and Impact of Innovations in STEM Education	2100823	47.076	-	47,214

(Continued)

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
National Science Foundation - Passed-Through Others (Continued):				
<u>Passed through Florida International University:</u>				
Building Capacity: Catalyzing Change in Calculus (C3)	800009860-01UG	47.076	\$ -	\$ 23,620
Collaborative Research: Developing Engineering Instructional Faculty as Leaders of Educational Change at Hispanic-Serving Institutions	800012048/000121	47.076	-	23,528
<u>Passed through Johns Hopkins University:</u>				
A Quantitative Synthesis of Research on Elementary Science Programs	2004787136	47.076	-	29,436
<u>Passed through North Carolina State University:</u>				
Multimodal Visitor Analytics: Investigating Naturalistic Engagement with Interactive Tabletop Science Exhibits	2017-1405-01	47.076	-	77,589
Collaborative Research: Primary AI: Integrating Artificial Intelligence into Upper Elementary Science with Immersive Problem-Based Learning	2019-2717-01	47.076	-	15,374
Engaging Rural Students in Artificial Intelligence to Develop Pathways for Innovative Computing Careers	2022-0605-01	47.076	-	3,416
<u>Passed through Public Policy Institute of California:</u>				
RAPID: A Researcher-Practitioner-Partnership to Assess the Impact of COVID-19 Recession on NGSS Implementation	2128789	47.076	-	39,005
<u>Passed through San Francisco State University:</u>				
RIP-TIDES: Research Intensive Pedagogical Training of Interdisciplinary Estuarine Scientists	S16-0019	47.076	-	31,127
<u>Passed through Southern Methodist University:</u>				
Seeing the World through a Mathematical Lens: A Place-Based Mobile App for Creating Math Walks	2115393	47.076	-	22,137
<u>Passed through Texas Tech University:</u>				
Collaborative Research: Fostering Virtual Learning of Data Science Foundations with Mathematical Logic for Rural High School Students	21P725-03	47.076	-	330

(Continued)

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
National Science Foundation - Passed-Through Others (Continued):				
<u>Passed through The Board of Regents of the University of Illinois:</u>				
Development of the Electronic Test of Early Numeracy (e-TEN)	084079-16190	47.076	\$ -	\$ 329,443
<u>Passed through University of California Riverside:</u>				
Louis Stokes STEM Pathways and Research Alliance:				
California Louis Stokes Alliance for Minority Participation	1826900	47.076	-	28,379
<u>Passed through University of Maryland:</u>				
Collaborative Research: Parents, Teachers, and Multilingual				
Children Collaborating on Mathematics Together	DRL2010417	47.076	-	20,126
Collaborative Research: Harmonizing Scratch Encore:				
Empowering Educators to Create Customized Culturally-Responsive Computing Materials	115761-Z3945201	47.076	-	4,780
<u>Passed through West Virginia University Research Corporation:</u>				
Mountaineer Mathematics Master Teachers (M3T): Supporting Teacher Leadership and Networked Improvement of Mathematics Education in West Virginia				
	20-122-WE	47.076	-	21,265
<u>Passed through University of San Diego:</u>				
Collaborative Research: Fostering Elementary School Students' Visuospatial Skills and mathematical Competencies through an Origami-based Program				
	A20-0022-S01	47.076	-	22,124
Total National Science Foundation			356,521	1,079,938
National Aeronautics and Space Administration – Direct				
Broadening Data Fluency Through the Integration of NASA Assets and Place-Based Learning to Advance Connections, Education, and Stewardship (NASA PLACES)				
	80NSSC22M0005	43.001	-	635,924

(Continued)

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
National Aeronautics and Space Administration – Passed-Through Others:				
<u>Passed through University of Toledo:</u>				
Mission Earth. Fusing GLOBE with NASA Assets to Build Systemic Innovation in STEM Education	N-125107-0	43.001	\$ -	\$ 512,742
<u>Passed through Sonoma State University:</u>				
NASA's Neurodiversity Network (N3): Creating Inclusive Informal Learning Opportunities across the Spectrum	80NSSC21M0004	43.001	-	100,233
<u>Passed through Northern Arizona University:</u>				
PLANETS (Planetary Learning that Advances the Nexus of Engineering, Technology, and Science)	1002936-02	43.001	-	143,139
<u>Passed through SETI Institute:</u>				
The NASA Community College Network	C-00018113	43.001	-	99,863
Total National Aeronautics and Space Administration			-	1,491,901
U.S. Department of Justice – Passed-Through Others:				
<u>Passed through National Institute of Justice:</u>				
A National Evaluation of Internet Crimes Against Children Task Force Training	2018-MC-FX-K007	16.543	11,557	185,132
A Randomized Impact Evaluation of Capturing Kids Hearts Comprehensive School Safety in Atlanta Public Schools	2015-CK-BX-0014	16.560	-	40
A Developmental Study of the Keeping Kids in School Initiative Research and Evaluation on School Safety: An Evaluation of State School Safety Centers	2015-CK-BX-K001	16.560	136,587	157,673
An Evaluation of a Statewide Approach to the Prevention and Intervention of Violence using School Threat Assessment Teams	2017-CK-BX-0018	16.560	-	16,160
	2020-CK-BX-0002	16.560	-	326,171
	2020-MU-MU-0011	16.560	74,690	318,126
<u>Passed through Texas State University:</u>				
A Randomized Controlled Trial of a Comprehensive, Research-Based Framework for Implementing School-Based Law Enforcement	20010-82739-1	16.560	-	9,344

(Continued)

WESTED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended November 30, 2022

<u>Federal Granting Agency/Program Name</u>	<u>Pass-Thru ID Number</u>	<u>Assistance Listing Number</u>	<u>Provided to Sub-Recipients</u>	<u>Program Expenditures</u>
U.S. Department of Justice – Passed-Through Others (Continued):				
<u>Passed through American Institutes for Research</u>				
Second Chance Act Reentry Initiative - Corrections and Community Engagement Technical Assistance Center (CCETAC)	0504300008	16.812	\$ -	\$ 186,640
<u>Passed through Maine Department of Education:</u>				
Bureau of Justice Assistance (BJA) funded STOP grant project	20220324*2197	16.RD	-	43,895
Total U.S. Department of Justice			<u>222,384</u>	<u>1,243,181</u>
Bureau of Indian Education – Direct:				
Secondary Transition Program Planning: Individuals with Disabilities Education Act (IDEA) of 2004	N/A	15.130	-	408,035
WestED	N/A	15.130	-	418,693
Indian Education Assistance to Schools	N/A	15.130	-	1,128,923
Total Bureau of Indian Education			<u>-</u>	<u>1,955,651</u>
Total Expenditures of Federal Awards (Research and Development Cluster)			<u>\$ 2,737,695</u>	<u>\$ 53,563,538</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

WESTED
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
November 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of WestEd under programs of the federal government for the year ended November 30, 2022. The information in this schedule is presented in accordance with the requirements of the 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 WestEd, it is not intended to and does not present the financial position, change in net position or cash flows of WestEd.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Under the accrual basis, revenue is recorded when earned and expenses are recorded when incurred, without regard to the time of cash receipt or payment. Revenues for Federal programs are received as reimbursement for specific projects and are recognized based on eligible expenses incurred. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. WestEd has not elected to use the 10% de minimis indirect cost rate.

Program income: There was no program income earned by the Federal Programs included in the SEFA during the current fiscal year.

WESTED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
November 30, 2022

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? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X 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)? _____ Yes X No

Identification of major programs:

<u>Name of Federal Program or Cluster Expenditures</u>	<u>Assistance Listing Numbers</u>	
Research and Development Cluster	Various*	\$ 53,563,538

* All programs reported in the Schedule of Expenditure of Federal Awards are included within the Research and Development Cluster.

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,606,906

Auditee qualified as low-risk auditee? X Yes _____ No

(Continued)

WESTED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
November 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

WESTED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
November 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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
WestEd
San Francisco, 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 the of WestEd as of and for the year ended November 30, 2022, and the related notes to the financial statements, which collectively comprise WestEd's basic financial statements, and have issued our report thereon dated March 24, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WestEd's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WestEd's internal control. Accordingly, we do not express an opinion on the effectiveness of WestEd'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

(Continued)

Purpose of this Report

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



Crowe LLP

Costa Mesa, California
March 24, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors
WestEd
San Francisco, California

Report on Compliance for Major Federal Program***Opinion on Major Federal Program***

We have audited WestEd's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on WestEd's major federal program for the year ended November 30, 2022. WestEd's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, WestEd complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended November 30, 2022.

Basis for Opinion on Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

(Continued)

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

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

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and connected.

Crowe LLP

Costa Mesa, California
March 24, 2023