Junior & Senior High School for the Arts

Encore JR/SR High School

Special Board Meeting- January 30, 2022

Published on January 28, 2022 at 1:41 PM PST

Date and Time
Sunday January 30, 2022 at 4:30 PM PST

Location
This meeting is being held virtually pursuant to Government Code Section 54953 (e). The public can access this meeting via Zoom as follows:

Join Zoom Meeting
https://zoom.us/j/5871494303?pwd=Mit3elRMOVhzYjM4K1d2SStPeEZiQT09

Meeting ID: 587 149 4303
Passcode: 936591
One tap mobile
+16699006833,,5871494303#,,,,,,0#,,936591# US (San Jose)
+13462487799,,5871494303#,,,,,,0#,,936591# US (Houston)

Dial by your location
+1 669 900 6833 US (San Jose)
+1 346 248 7799 US (Houston)
+1 253 215 8782 US (Tacoma)
+1 312 626 6799 US (Chicago)
+1 929 205 6099 US (New York)
+1 301 715 8592 US (Washington D.C)
Meeting ID: 587 149 4303
Passcode: 936591
Find your local number: https://zoom.us/u/aFccAHayh

Members of the public who wish to comment during the Board meeting may use the "raise hand" tool on the Zoom platform. Members of the public calling in will be given the opportunity to address the Board during the meeting. Individual comments will be limited to three (3) minutes. If an interpreter is needed for comments, they will be translated to English and the time limit shall be six (6) minutes. The Board may limit the total time for public comment to a reasonable time. The Board reserves the right to mute or remove a participant from the meeting if the participant unreasonably disrupts the Board meeting.

Agenda

	Purpose	Presenter	Time
I. Opening Items			**4:30 PM**
A. Call the Meeting to Order		Rob Gabler, Board President	
B. Record Attendance		Rob Gabler, Board President	1 m
C. Invitation for public to address the Board	Discuss	Joseph Thibodeaux	1 m

All public comment, both on agenda items and non-agenda items within the jurisdiction of the Board, should be provided during the agenda item titled, “invitation for public to address the Board.” Members of the public who wish to comment during the Board meeting may use the “raise hand” tool on the Zoom platform. Members of the public calling in will be given the opportunity to address the Board during the meeting. Individual comments will be limited to three (3) minutes per agenda item and one three (3) minute period to address an item not on the agenda. If an interpreter is needed for comments, they will be translated to English and the time limit shall be six (6) minutes per person per agenda item. The Board limits the total time for public comment to thirty minutes, and may extend this time at its sole discretion. The Board reserves the right to mute or remove a participant from the meeting if the participant unreasonably disrupts the Board meeting.

	Purpose	Presenter	Time
II. Finance			**4:32 PM**
A. Acceptance of 2020-21 Audited Financial Statements	Vote	Sabrina Bow	30 m
III. Closing Items			**5:02 PM**
A. Adjourn Meeting	Vote	Rob Gabler	1 m

A copy of the agenda will be posted at least 24 hours before such meeting. A copy of the written materials which will be submitted to the Board of Encore Junior and Senior High School for the Arts is available along with this agenda following the posting of the agenda by emailing sbow@encorehighschool.com.

Requests for disability-related modifications or accommodations to participate in this public meeting shall be made 24 hours prior to the meeting by calling (760) 956-2632 or emailing jthibodeaux@encorehighschool.com. All efforts will be made for reasonable accommodations. The agenda and public documents can be modified upon request as required by Section 202 of the Americans with Disabilities Act.

Cover Sheet

Acceptance of 2020-21 Audited Financial Statements

Section:	II. Finance
Item:	A. Acceptance of 2020-21 Audited Financial Statements
Purpose:	Vote
Submitted by:	
Related Material:	Encore Education Corp Audit Report 2021.pdf

ENCORE EDUCATION CORPORATION

HESPERIA, CALIFORNIA

Charter No. 0971

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2021

NIGRO & NIGRO PC

ENCORE EDUCATION CORPORATION
For the Fiscal Year Ended June 30, 2021
Table of Contents

FINANCIAL SECTION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Section

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
Encore Education Corporation
Hesperia, California

Report on the Financial Statements
We have audited the accompanying financial statements of Encore Education Corporation (a California nonprofit Organization), which comprise the combined statement of financial position as of June 30, 2021, and the related combined statements of activities, cash flows, and functional expenses for the fiscal year then ended, and the related notes to the combined financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Encore Education Corporation, as of June 30, 2021, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

www.nncpas.com • *Licensed by the California Board of Accountancy*

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. The supplementary information on pages 20 and 21 and the schedule of expenditures of federal awards on page 22 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 19 has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 28, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
January 28, 2022

ENCORE EDUCATION CORPORATION

Statement of Financial Position
June 30, 2021

ASSETS		
Current Assets:		
Cash	$	1,426,659
Accounts receivable (Note 3)		4,752,194
Prepaid expenses		36,837
Total current assets		6,215,690
Non-current Assets:		
Deferred rent asset (Note 4)		1,253,863
Property, plant, and equipment, net (Note 5)		638,928
Total non-current assets		1,892,791
Total Assets	$	8,108,481
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities:		
Accounts payable	$	300,264
Accrued payroll and benefits		359,160
Due to grantor governments		1,160,641
Deferred revenue		140,814
Factored receivables (Note 6)		3,362,582
Capital lease (Note 6)		4,209
Settlement payable (Note 6)		187,500
Total current liabilities		5,515,170
Long term liabilities:		
Paycheck Protection Program loan (Note 6)		2,000,000
Total Liabilities		7,515,170
Net assets		
Without donor restrictions		241,133
With donor restrictions (Note 7)		352,178
Total net assets		593,311
Total Liabilities and Net Assets	$	8,108,481

ENCORE EDUCATION CORPORATION
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
LCFF revenues	$ 9,107,706	$ -	$ 9,107,706
Federal revenues	-	1,413,018	1,413,018
State Special Education	-	472,027	472,027
Lottery	83,237	39,962	123,199
Other state revenues	106,730	1,252,446	1,359,176
Other local revenues	188,873	-	188,873
Net assets released from restrictions	2,831,968	(2,831,968)	-
Total revenues, gains, and other support	12,318,514	345,485	12,663,999
Expenses			
Program Services:			
Education	5,792,235	-	5,792,235
Supporting Services:			
Management and general	4,970,119	-	4,970,119
Total Expenses	10,762,354	-	10,762,354
Change in net assets from operations	1,556,160	345,485	1,901,645
Equity transfer to Riverside campus	(1,320,482)	-	(1,320,482)
Change in net assets	235,678	345,485	581,163
Net Assets			
Beginning of year	5,455	6,693	12,148
End of year	$ 241,133	$ 352,178	$ 593,311

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

ENCORE EDUCATION CORPORATION

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets from operations	$	1,901,645
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation		142,041
(Increase) decrease in operating assets:		
Accounts receivable		(3,014,665)
Prepaid expenses		13,349
Deferred rent asset		(114,592)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities		76,883
Due to grantor governments		1,160,641
Deferred revenue		140,814
Intercompany payable		(650,000)
Net cash provided (used) by operating activities		(343,884)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and building improvements		(9,646)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made on line of credit		(1,394,678)
Payments on factored receivables		3,362,582
Revenue Anticipation Note - amounts repaid		(1,321,000)
Paycheck Protection Program loan proceeds		2,000,000
Capital lease principal payments		(22,091)
Payments on settlement payable		(100,000)
Equity transfer to Riverside campus		(1,320,482)
Net cash provided (used) by financing activities		1,204,331
Net increase (decrease) in cash		850,801
Cash:		
Beginning of year		575,858
End of year	$	1,426,659
SUPPLEMENTAL DISCLOSURE		
Interest paid	$	594,151

ENCORE EDUCATION CORPORATION
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2021

	Program Services	Supporting Services	
	Education	Management And General	Total Expenditures
Certificated salaries	$ 2,305,733	$ 442,506	$ 2,748,239
Classified salaries	969,883	1,161,330	2,131,213
Benefits	1,241,125	655,642	1,896,767
Total Salaries and Benefits	4,516,741	2,259,478	6,776,219
Books & supplies	205,375	30,400	235,775
Services, other operating expenses	855,671	2,042,201	2,897,872
Noncapitalized equipment	107,917	8,379	116,296
Depreciation	106,531	35,510	142,041
Interest	-	594,151	594,151
Totals	$ 5,792,235	$ 4,970,119	$ 10,762,354

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Encore Education Corporation (the "Organization") is a California nonprofit public benefit corporation and is organized to manage and operate a public charter school. For the year ended June 30, 2021, the Organization operated one public charter school: Encore Jr./Sr. High School for the Performing and Visual Arts. The mission of the Organization is to provide a creative, challenging, and nurturing environment that offers students innovative preparation for a university education and pursuit of the arts.

On October 22, 2007, Hesperia Unified School District (HUSD) (Sponsor) approved the petition of a charter for the establishment and operation of Encore Jr./Sr. High School for the Performing and Visual Arts (Hesperia). Hesperia's current charter is granted for the term of five years beginning July 1, 2016 through June 30, 2021. Hesperia is a site-based, traditional calendar charter school, serving students in seventh through twelfth grades.

The Organization is a charter school organized and existing under the laws of the state of California. The Organization receives most of their funding from both state sources and local taxes through the state of California general-purpose entitlement funding system. Charters may be revoked by the sponsoring district for material violations of the charter, failure to meet student goals, identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

B. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of June 30, 2021, the Organization determined that there were no uncollectible accounts.

C. Basis of Presentation and Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018 and addresses general-purpose external financial statements appropriate for not-for-profit organizations.

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation and Accounting (continued)
Under the provisions of the ASC 958-205, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by the actions of the not-for-profit organization to satisfy a particular purpose restriction, or by the passage of time. Some donor restrictions are perpetual (or permanent) in nature, whereby the donor has stipulated the funds be maintained in perpetuity, whereby the corpus of the donation must remain unspent.

D. Revenue and Revenue Recognition
Revenue is recognized when earned. Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. The Organization receives federal grants, which are paid through the California Department of Education or other state agencies. Revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the state is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

E. Donated Materials and Supplies
Donated materials and supplies are recorded as contributions at their estimated fair market value at the date of donation if a value can be reasonably determined. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

F. Contributed Services
During the year ended June 30, 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

G. Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Significant estimates include the lives used for depreciation of property and equipment and allocation of costs between the various programs and expense categories. Actual results could differ from those estimates.

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Income Taxes
The Organization is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Organization files information returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state tax purposes is generally three and four years, respectively.

I. Cash
The Organization considers certificates of deposit with a maturity date of 90 days or longer to be investments. At year-end and throughout the year, the Organization's cash balances were deposited in one financial institution. As of June 30, 2021, the Organization did not hold any cash as investments.

J. Custodial Credit Risk
The Organization maintains its cash at one financial institution. Cash balances are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At various times during the year, the amount on deposit with a single financial institution may exceed federal depository insurance limits and be exposed to custodial credit risk. At June 30, 2021, the Organization had cash in the amount of $1,275,001 which was exposed to this risk.

K. Accounts Receivable
Accounts receivable consists mainly of grants and contract payments from other public agencies. No allowance for uncollectable amounts has been estimated as creditworthiness of payors and industry experience provide evidence to support amounts as fully collectible.

L. Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

M. Capital Assets
Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Items that, as a whole, create an asset with a combined cost exceeding $5,000 have also been capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	Estimated Useful Life in Years
Furniture, Equipment and Leasehold Improvements	3-25
Buildings	10-39

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fair Value Measurements

In accordance with fair value measurements, the Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

O. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function, as shown in the Statement of Functional Expenses. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Grants	Time and effort
Salaries and benefits	Time and effort
Occupancy / rent	Facilities square footage
Insurance	Policy type and nature of coverage
Utilities	Facilities square footage
Supplies	Time and effort
Depreciation	Facilities square footage
Amortization	Time and effort

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 2 – LIQUIDITY

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

Cash and cash equivalents	$	1,426,659
Accounts receivable		4,752,194
Prepaid expenses		36,837
Less: donor restrictions		(352,178)
Total current assets	$	5,863,512

The Organization's policy for liquidity management requires that it structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021, consisted of the following:

Federal Government:		
ESSER	$	189,147
Special education		121,720
Other federal		60,469
State Government:		
LCFF		3,803,180
SB 740 charter facilities grant		293,110
Special education		164,995
Lottery		87,439
Other state		31,542
Local:		
Other local		592
Total	$	4,752,194

NOTE 4 – DEFERRED RENT

As described in Note 11, the Organization pays rent to 16955 Lemon Street LLC which owns the building used by the Hesperia campus for its school facilities. Amounts paid in excess of the straight-line amortized value of lease payments are recognized as a "deferred rent asset" in the amount of $1,253,863 for the Hesperia campus.

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements are presented net of accumulated depreciation. Depreciation expense for the year ended June 30, 2021 was $142,041.

The components of property, plant, and equipment as of June 30, 2021 are as follows:

Building and Improvements	$	43,820
Furniture, Fixtures, and Equipment		1,974,398
Less: Accumulated Depreciation		(1,379,290)
Total capital assets, net	$	638,928

NOTE 6 – DEBT

A schedule of changes in debt payable for the year ended June 30, 2021 is shown below:

	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021	Current Portion
Factored receivables	$ -	$ 5,839,966	$ 2,477,384	$ 3,362,582	$ 3,362,582
Line of credit	1,394,678	-	1,394,678	-	-
Revenue Anticipation Note	1,321,000	-	1,321,000	-	-
Note payable	2,081,084	-	2,081,084	-	-
Paycheck Protection Program loan	2,040,000	2,000,000	2,040,000	2,000,000	-
Capital lease	52,600	-	48,391	4,209	4,209
Settlement payable	437,500	-	250,000	187,500	187,500
Totals	$ 7,326,862	$ 7,839,966	$ 9,612,537	$ 5,554,291	$ 3,554,291

A. Factored Receivables
The Organization has entered into multiple agreements through Charter Asset Management (CAM) to factor accounts receivable. The amount of factored receivables due at June 30, 2021 was $3,362,582.

B. Paycheck Protection Program (PPP) Loan
On February 18, 2021, the Organization received a PPP loan in the amount of $2,000,000 from the Small Business Administration (SBA). The term of the loan is for five years. The SBA will forgive the loan if all employee retention criteria are met and the funds are used for eligible expenses. The loan was forgiven as of November 6, 2021.

C. Capital Lease
The Organization leases certain equipment under a capital lease agreement with a capitalized cost of $140,666. The lease matures on July 1, 2021 and bears an interest rate of 8.00%. The outstanding balance under this lease at June 30, 2021 was $4,209. The Organization will receive no sublease revenue on the equipment.

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 6 – DEBT (continued)

D. Settlement Payable

On January 22, 2018, the Organization entered into a Settlement Agreement with Gaines & Gaines APLC on behalf of current and former employees relating to three areas of wage/hour administrative requirement penalties, including (a) paying employees monthly vs. semimonthly or biweekly; (b) sufficiently itemized wage statements containing the full name of the nonprofit corporation as IRS employer as well as the charter school name and including hourly rate detail vs. total pay amount only; and (c) payment of final paycheck on regularly scheduled payday vs. within 72 hours of resignation. The total amount of the Settlement Agreement is $1,000,000, payable in sixteen (16) quarterly payments of $62,500 beginning June 15, 2018 and ending March 15, 2022. All payments have been made on time and in full. The outstanding balance on the Settlement Agreement as of June 30, 2021 is $187,500.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2021:

Expanded learning opportunity	$	287,069
Expanded learning opportunity paraprofessional		63,438
Low-performing students block grant		1,671
Totals	$	352,178

These amounts are presented within net assets with donor restrictions on the Statement of Financial Position.

NOTE 8 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The Organization is a participant in the plans and its contributions do not exceed 5% of total plan-level contributions.

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The Foundation contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT PLANS (continued)

Benefits Provided
The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The Foundation contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.15%	16.15%
Required State Contribution Rate	10.328%	10.328%

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

The Organization's contributions to CalSTRS and required employer contribution rate for the last three fiscal years were as follows:

	Contribution	Required Contribution Rate
2020-21	$ 436,634	16.15%
2019-20	$ 762,477	17.10%
2018-19	$ 785,803	16.28%

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

On-Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the Foundation. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the Foundation for its proportionate share of the State's on-behalf contributions is $76,952.

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Foundations Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb.

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	20.70%	20.70%

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll.

The Foundation's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Required Contribution Rate
2020-21	$ 409,505	20.700%
2019-20	$ 718,972	19.721%
2018-19	$ 709,146	18.062%

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The Organization has elected to use the Social Security as its alternative plan.

NOTE 9 – OPERATING LEASES

The Organization occupies office and classroom space for its operations and educational programs under separate operating leases. Total expense for rental of space under operating leases was $924,695 for the year ended June 30, 2021. The property is being financed by the issuance of $17,440,000 in Charter School Revenue Bonds (the 2016 Revenue Bonds) through the California School Finance Authority.

Future minimum annual lease payments remaining under the lease terms outstanding are as follows:

Year Ending June 30,	Amount
2022	980,250
2023	979,500
2024	983,250
2025	981,250
2026	983,750
2026-2031	4,907,500
2031-2036	4,911,250
2036-2041	4,902,750
2041-2046	4,911,250
2046-2051	4,905,500
2051-2052	981,750
Total	$ 30,428,000

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The Organization is involved in certain legal matters that arose out of the normal course of business. The Organization has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2021.

B. Closure of Riverside Campus

On April 30, 2020, the Board of Directors voted to close the Encore High School for the Arts – Riverside at the end of the 2019-20 school year. The closure went into effect as of June 30, 2020, and all of that school's operations were discontinued and all outstanding assets and liabilities resolved.

NOTE 11 – RELATED PARTY TRANSACTIONS

Interested Parties

The chief operations officer is the husband of the chief executive officer. Both have extensive backgrounds in business operations and management, and the chief operating officer is a veteran certificated teacher. There are other related parties that are employed by the Organization. However, pursuant to Encore Education policy, no such relationship exists between any employee of the Organization and a member of the board. Moreover, the board and unrelated employee supervisors oversee all such related employees, and all decisions related to their employment and compensation.

Bonds Payable – Western Encore Properties

On November 1, 2016, Western Encore Properties Incorporated, a California nonprofit public benefit corporation (the Borrower), borrowed a total of $17,440,000 by issuing Charter School Revenue Bonds (the 2016 Revenue Bonds) through the California School Finance Authority.

The Borrower established 16955 Lemon Street, LLC (the LLC), a wholly owned subsidiary of the Borrower, to act as the holder of the Organization's main school campus located at 16955 Lemon Street in Hesperia, California (the Encore Facility). The LLC has no other activities. The LLC is expected to have no assets, other than holding title to the Encore Facility, and is expected to have no revenue other than payments received pursuant to the Lease Agreement described below.

At issuance, the entire proceeds of the 2016 Revenue Bonds were loaned to the LLC to i) finance certain costs of the acquisition, construction, improvement, equipping, and furnishing of the Encore Facility at 16955 Lemon Street, ii) fund a debt service reserve account, and iii) pay the costs of issuance for the 2016 Revenue Bonds.

Under the terms of the 2016 Revenue Bonds, the LLC then leased the campus to the Corporation pursuant to a Lease Agreement, dated November 1, 2016. The payments under this Lease Agreement match the principal and interest payments on the 2016 Revenue Bonds, and are automatically intercepted by the California School Finance Authority on a quarterly basis and transferred to US Bank Trust Company, the trustee for the 2016 Revenue Bonds. The trustee then applies all such payments semiannually to make the principal and interest payments to holders of the 2016 Revenue Bonds.

ENCORE EDUCATION CORPORATION
Notes to Financial Statements
June 30, 2021

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

Bonds Payable – Western Encore Properties (continued)

The Corporation has pledged all assets and revenues of its Hesperia campus towards payment of these lease payments.

Future maturities of the bonds are as follows:

Year Ending June 30,	Amount
2022	$ 215,000
2023	225,000
2024	240,000
2025	250,000
2026	265,000
2026-2031	1,525,000
2031-2036	1,950,000
2036-2041	2,480,000
2041-2046	3,175,000
2046-2051	4,045,000
2051-2052	935,000
Total	$ 15,305,000

NOTE 12 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2021, have been evaluated through January 28, 2022, the date at which the Organization's audited financial statements were available to be issued.

Supplementary Information

ENCORE EDUCATION CORPORATION
Organizational Structure
June 30, 2021

Encore Education Corporation (the "Organization") was established in 2007 and is a nonprofit public benefit corporation organized to manage and operate public charter schools. For the year ended June 30, 2021, the Organization operated one public charter schools: Encore Jr./Sr. High School for the Performing and Visual Arts.

Encore Jr./Sr. High School for the Performing & Visual Arts began serving students in August 2008. The charter has been renewed for a term of five years beginning July 1, 2016 through June 30, 2021 and is sponsored by the Hesperia Unified School District. The charter number authorized by the state of California is 971.

BOARD OF DIRECTORS

Member	Office	Term Expires
Suzanne Cherry	President	June, 2021
Rob Gabler	Vice President	June, 2022
Kelly Ahmed	Board Secretary	June, 2021
Kathy Staley	Member	June, 2022
Glenn Thackeray	Member	June, 2022

ADMINISTRATORS

Denise Griffin,
Chief Executive Officer

John Griffin,
Chief Operations Officer

Carol Walker,
Fiscal Controller

ENCORE EDUCATION CORPORATION
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2021

Grade Level	Actual Number of Instructional Days	Number of Days from J-13A Waiver	Total	Status
Grade 7	175	0	175	Complied
Grade 8	175	0	175	Complied
Grade 9	175	0	175	Complied
Grade 10	175	0	175	Complied
Grade 11	175	0	175	Complied
Grade 12	175	0	175	Complied

This schedule presents information on the number of instructional days offered by the Organization and whether the Organization complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

ENCORE EDUCATION CORPORATION

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2021

This schedule provides the information necessary to reconcile the net assets reported on the Unaudited Actual financial report to the audited financial statements.

		Statement of Financial Position
June 30, 2021, annual financial and budget report net assets	$	2,125,630
Adjustments and reclassifications:		
Increase (decrease) in total net assets:		
Accounts payable overstated		12,428
Accounts receivable understated		31,540
Loan payable understated		(255,805)
Cash overstated		(1,320,482)
June 30, 2021, audited financial statement net assets	$	593,311

ENCORE EDUCATION CORPORATION
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
Especially Needy Breakfast	10.553	13526	$ 6,222	
National School Lunch Program	10.555	13523	11,638	
USDA - Donated Foods	10.555	13391	13,126	
Total Child Nutrition Cluster				$ 30,986
Total U.S. Department of Agriculture				30,986
U.S. Department of Treasury:				
Passed through California Dept. of Education (CDE):				
COVID-19: Coronavirus Relief Fund (CRF):				
Learning Loss Mitigation	21.019	25516		593,879
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		242,173
Title II, Part A, Supporting Effective Instruction Local	84.367	14341		30,330
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396		17,851
Passed through the Desert Mountain SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379		121,720
COVID-19: Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15547	321,903	
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	54,176	
Total Education Stabilization Fund				376,079
Total U.S. Department of Education				412,074
Total Expenditures of Federal Awards				$ 1,413,018

Subrecipients
Of the Federal expenditures presented in the schedule, the Organization provided no Federal awards to subrecipients.

Notes to Schedule:
The schedule of expenditures of Federal awards includes the Federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Reqgulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles,and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The Organization did not elect to use the ten percent de minimus indirect cost rate.

Other Independent Auditors' Reports

NIGRO & NIGRO PC

A Professional Accountancy Corporation

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

Board of Directors
Encore Education Corporation
Hesperia, 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 Encore Education Corporation as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Encore Education Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Encore Education Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Encore Education Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2021-001 and 2021-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2021-003 to be a significant deficiency.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Encore Education Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Encore Education Corporation's Responses to Findings

Encore Education Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Encore Education Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Nigro & Nigro, PC

Murrieta, California
January 28, 2022

NIGRO & NIGRO PC

A Professional Accountancy Corporation

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

Board of Trustees
Encore Education Corporation
Hesperia, California

Report on Compliance for Each Major Federal Program

We have audited Encore Education Corporation's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Encore Education Corporation's major federal programs for the year ended June 30, 2021. Encore Education Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Encore Education Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Encore Education Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Encore Education Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Nigro & Nigro, PC

Murrieta, California
January 28, 2022

NIGRO & NIGRO PC

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Encore Education Corporation
Hesperia, California

Report on State Compliance
We have audited Encore Education Corporation's compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Encore Education Corporation's state government programs as noted on the following page for the fiscal year ended June 30, 2021.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Encore Education Corporation's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Encore Education Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Encore Education Corporation's compliance.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Organization's compliance with the State laws and regulations applicable to the following items:

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools (Applicable to Classroom-Based Charters in FY 2020/21	
Attendance and Distance Learning	Yes
Instructional Time	Yes
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Independent Study – Course Based	Not Applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Charter School Facility Grant Program	Yes

Unmodified Opinion on Compliance with State Programs

In our opinion, Encore Education Corporation complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which are described in the accompanying schedule of findings and responses as Findings 2021-004 through 2021-006. Our opinion on each state program is not modified with respect to these matters.

Encore Education Corporation's Responses to Findings

Encore Education Corporation's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and responses. Encore Education Corporation's responses were not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the responses.

Nigro & Nigro, PC

Murrieta, California
January 28, 2022

Schedule of Findings and Questioned Costs

ENCORE EDUCATION CORPORATION
Summary of Auditors' Results
For the Fiscal Year Ended June 30, 2021

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a)?	No

Identification of major programs:

Assistance Listing Numbers	Name of Porgram/ Cluster
21.019	COVID-19: Coronavirus Relief Fund (CRF): Learning Loss Mitigation

Dollar threshold used to disntiguish between Type A and Type B Programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified

ENCORE EDUCATION CORPORATION
Financial Statement Findings
For the Fiscal Year Ended June 30, 2021

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING 2021-001: FINANCIAL REPORTING ERRORS (30000)
This is a partial repeat of Finding 2020-002.

Criteria: Generally accepted accounting principles (GAAP) require that the year-end financial statement balances include all financial transactions as of the date of the financial statements. Good internal controls and prudent business practices require the School to establish and implement policies and procedures to ensure that the year-end closing process includes a timely reconciliation of all accounts to ensure accurate ending balances are reported.

Condition: Several audit adjustments were necessary to properly report the balances of accounts receivable, accounts payable, and revenue accounts.

Cause: The School relied on an outside back-office consulting firm to assist with year-end closing, but lacks the financial expertise to oversee those services and consistently provide accurate data.

Effect: The School's financial statements could be materially misstated without adjusting journal entries.

Recommendation: We recommend that the School update its year-end closing procedures to include additional review procedures to ensure account balances are reconciled before the audit.

School Response: Encore has added a full-time on-site Controller position to its management staff, who will act as liaison with Encore's outsourced backoffice provider throughout the fiscal year and during the year-end closing process (beginning with fiscal year ending June 30, 2022), including but not limited to reviewing all closing entries and ensuring all account balances are reconciled.

ENCORE EDUCATION CORPORATION
Financial Statement Findings (continued)
For the Fiscal Year Ended June 30, 2021

FINDING 2021-002: STUDENT SERVICES ACCOUNT (30000)
This is a partial repeat of Finding 2020-003

Criteria: The Organization maintains a student services debit account, which is used to pay for transportation, meals, testing, and student activities. The account activity should follow prudent business practices, including management oversight, regular financial reporting, and implementation of internal controls.

Conditions:
During our review of the internal controls at the Hesperia campus, we noted the following:

- A budget is not prepared or adopted by the Student Council.
- Minutes of Student Council meetings were not available to be reviewed by the auditors
- We tested a sample of 25 cash disbursements and found:
    - Seven disbursements were not approved by a school representative, advisor, and student representative until after the expense had been incurred.
    - One disbursement was lacking supporting documentation, such as an invoice, bill, or receipt.
- Furthermore, we reviewed bank statements for the entire fiscal year and made the following observations:
    - The School wrote a total of 78 checks during the year for a total of $46,561, but made 516 electronic debit transactions for a total of $98,004.
    - The School paid a total of $1,025 in bank card and other bank fees during the year.
    - It appears that multiple employees of the School have access to debit cards, as several separate card numbers were identified.
    - The School incurred numerous charges for items that appear to be personal in nature, such as gas stations, convenience stores, grocery stores, drug stores, and unspecified purchases from Amazon. Without conducting a more detailed forensic audit, we are unable to determine the nature and bona-fide business purpose of these expenses.
- We tested a sample of 10 cash receipts and found:
    - Six receipts did not have adequate supporting documentation from the point of collection to the point of deposit. Without supporting documentation, we cannot determine whether all cash collected was deposited in the bank.

Cause: The School lacks oversight over the account and has not implemented controls to ensure that:

- Adequate accounting records and internal controls are maintained to ensure that revenues are collected and deposited appropriately, and;
- Funds are being used for the students' benefit.

Effect:

- The lack of internal controls and oversight could lead to loss or misappropriation of assets.
- Without policies and procedures specifying how the activity will be established and supervised, or how financial activity will be operated and managed, there is a risk that the School is not in compliance with rules and regulations ensuring that student funds are being used for students' benefit.

ENCORE EDUCATION CORPORATION

Financial Statement Findings (continued)
For the Fiscal Year Ended June 30, 2021

FINDING 2021-002: STUDENT SERVICES ACCOUNT (30000) (continued)

Recommendation: We recommend that the School assign an employee in the Business Office to be responsible for the oversight of the account. This position should review bank statements and reconciliations on a monthly basis.

We further recommend that the school site bookkeeper maintain all records associated with the account for proper control of the assets and to prevent misappropriation of assets. Furthermore, back-ups should be conducted at a minimum of once per month in order to limit the potential of lost data.

Finally, we recommend the following:

- We recommend that the School discontinue the use of electronic debit cards for the bank account, as all expenses should be paid for with checks. The use of electronic debit cards exposes the account to the risk of fraudulent activity.
- Education Code Section 48933(b) requires all expenditures from activity funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a best practice, we recommend that expenditures be approved prior to incurring the cost. We recommend that the site adopt a procedure for compliance with the Education Code in obtaining the required approvals.
- We recommend that the School document a physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing “ok to pay” or “received” and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.
- It is important for student organizations to have adequate internal controls over their fundraising events, properly evaluate the effectiveness of those events, and account for a fundraiser’s financial activity. Revenue potentials are used as a budgeting and planning tool. The form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income. We recommend that revenue potentials be prepared for all major fundraising activities.
- We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.
- Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit. We recommend the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives. Furthermore, the Principal or Advisor should review the bank reconciliation and initial and date the bank statement and reconciliation as evidence they were reviewed. Review of the bank reconciliations by someone other than the bookkeeper is an important internal control to detect errors and possible questionable or suspicious activity.

School Response: Encore has added a full-time on-site Controller position to its management staff, who is now responsible for coordinating all purchasing functions for the organization to ensure all applicable purchasing procedures and Board policies are followed and each of the above recommendations is met. The new Controller has also replaced all electronic debit card usage from the Student Services Account with the Emburse purchasing platform, allowing granular control over spending and additional transparency in real time of student service account expenditures.

ENCORE EDUCATION CORPORATION
Financial Statement Findings (continued)
For the Fiscal Year Ended June 30, 2021

FINDING 2021-003: CASH DISBURSEMENT CONTROLS (30000)
This is a repeat of Finding 2020-004

Criteria: The School should obtain approval through a purchase order prior to making any purchases. The School should ensure that expenditures are paid only with supporting documentation.

Condition: During our review of the School's cash disbursements, all 25 expenses sampled did not receive approval prior to purchase.

Cause: The School did not implement controls to ensure that every purchase was approved prior to being incurred.

Effect: Cash disbursements are at risk of being made for inappropriate purposes.

Recommendation: We recommend that the School implement controls to ensure that all disbursements are approved by purchase order or contract before being incurred.

School Response: Encore has added a full-time on-site Controller position to its management staff, who is now coordinating all purchasing functions for the organization to ensure all applicable purchasing procedures and Board policies are followed, including the above recommendation.

ENCORE EDUCATION CORPORATION
Federal Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no findings related to federal awards in 2020-21.

ENCORE EDUCATION CORPORATION

State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

FINDING 2021-004: DISTANCE LEARNING/ATTENDANCE (10000)

Criteria: Pursuant to Education Code section 46504(e) all local education agencies, classroom based charters, and newly formed charter schools are required to maintain a weekly engagement record for each student documenting synchronous or asynchronous instruction, verifying daily participation, and tracking assignments.

Condition: We noted in our samples that each one contained at least one class in the week of December 7, 2020-December 11, 2020 that did not have sufficient support for assignment tracking.

Context: Errors were noted at Encore Jr. and Sr. High. The School reported attendance for 50 students who did not have sufficient support for assignment tracking, which resulted in 98 days out of compliance (70 days in grades 7-8 and 28 days in grades 9-12).

Effect: The financial penalty using the CDE's audit penalty calculator is $5,368.

Cause: The School did not keep adequate supporting documentation.

Recommendation: Not applicable, since distance learning was only required in the 2020-21 fiscal year.

Views of Responsible Officials: While this finding is related to non-repeating weekly engagement record requirements, the Governing Board and Interim Executive Director will review relevant distance learning / attendance controls and staff training to ensure accurate tracking and reporting for any similar compliance requirements that may arise in the future.

FINDING 2021-005: DISTANCE LEARNING/ATTENDANCE (10000)

Criteria: California Education Code Section 43504(f)(2) requires that the LEA have written procedures for tiered reengagement strategies for all pupils who are absent from distance learning for more than three schooldays or 60 percent of the instructional days in a school week

Condition: Upon initial inquiry in April 2021, **t**he School was unable to provide tiered reengagement strategies for the 2020-21 school year. We reviewed a sample of 25 students from Encore Jr. High and 25 students from Encore Sr. High. We noted two errors where a student was absent for more than 60% of the week. The errors resulted in the School being out of compliance for three days for Grade 8 and three days for Grade 12.

Context: Errors were noted at Encore Jr. and Sr. High. Two students in our sample were absent more than 60% of the week tested, which resulted in six days out of compliance.

Effect: There is a financial penalty for the days out of compliance of each affected grade level of $114, which was determined by using the CDE's audit penalty calculator.

Cause: The School was unaware tiered reengagement strategies needed to be implemented in the beginning of fiscal year 2020-21.

ENCORE EDUCATION CORPORATION
State Award Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2021

FINDING 2021-005: DISTANCE LEARNING/ATTENDANCE (10000) (continued)

Recommendation: Not applicable since this was only a requirement during the 2020-21 fiscal year.

Views of Responsible Officials: While this finding is related to non-repeating tiered reengagement strategies requirements, the Governing Board and Interim Executive Director will review relevant distance learning / attendance controls and staff training to ensure accurate tracking and reporting for any similar compliance requirements that may arise in the future.

FINDING 2021-006: INSTRUCTIONAL MINUTES (40000)

Criteria: Pursuant to Education Code section 43501 and 43502(e)(2) all local education agencies, classroom based charters, and newly formed charter schools are required to offer students the daily minimum instructional minutes for their grade level. For grades 4-12, Ed Code 46141 requires that students be enrolled in a minimum school day of 240 minutes.

Condition: We noted in our sample of 50 students that some students were not enrolled for the minimum day the week of December 7, 2020-December 11, 2020.

Context: Errors were noted at Encore Jr. and Sr. High. The School reported attendance for 22 students who did not meet the daily instructional minute requirement, which resulted in 63 days out of compliance.

Effect: The financial penalty for students not meeting the daily instructional minute requirement is $3,677, which was determined by using the CDE's audit penalty calculator.

Cause: The School did not plan the bell schedule to account for shortened periods for individual students.

Recommendation: We recommend the School ensure that students are offered the minimum number of daily and instructional minutes during the 2021-22 school year.

Views of Responsible Officials: Encore's management will review the bell schedule and instructional calendar in light of all current instructional minute and related requirements to ensure compliance for the 2021-22 school year.

ENCORE EDUCATION CORPORATION

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2020-001: Fiscal Challenges	Sound financial management, including understanding, establishing, implementing and monitoring proper internal controls and accounting policies and procedures, is essential to a charter school's ability to achieve its mission. Although charter schools are not required to file interim reports as positive, qualified, or negative as school districts are, understanding and using the certification definitions on interim reports to show whether the charter school is able to meet its financial obligations is a suggested best practice. Although the Organization has improved its financial condition over each of the last two fiscal years, it continues to face fiscal challenges that must be closely monitored in order to prevent it from becoming insolvent in the near future. These challenges include: • The net assets reported by the Organizations at June 30, 2020 in this audit report are $12,147 for Hesperia and ($1,450,275) *negative* net assets for Riverside. The closure of the Riverside campus at the end of the fiscal year creates an opportunity to consolidate management, but the fiscal improvement plans relies on the assumption that the Paycheck Protection Program (PPP) loan of $2,040,000 will be forgiven and be used to pay down the Organization's debt. • In order to ensure adequate working capital, the Organization has entered into short-term debt through a variety of financing mechanisms. While this has allowed the Organization to continue to meet its financial obligations, borrowing costs and interest expense represent a substantial annual expenditure that reduces the amount available for programs.	30000 60000	The Organization should closely monitor its budget and enrollment, as well as the close-out of the Riverside campus to ensure that the negative fund balance is recovered as planned. If assumptions change, the Organization needs to able to implement budget cuts to maintain its fiscal health.	Implemented.

ENCORE EDUCATION CORPORATION
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2020-001: Fiscal Challenges (continued)	• In addition, the 2016 tax-exempt conduit revenue bond issued by Encore to acquire its main school facility includes certain covenants to bondholders, including maintenance of a minimum 45 days cash on hand at the end of each fiscal year, which Encore has not met in the most recent two years. • As a result of the COVID-19 pandemic, the Organization was forced to move to a distance learning environment and has seen a decline in enrollment. Funding in future years will be reduced if the enrollment does not recover as projected.			
Finding 2020-002: Financial Reporting Errors	*This is a repeat of Finding 2019-001.* Generally accepted accounting principles (GAAP) require that the year-end financial statement balances include all financial transactions as of the date of the financial statements. Good internal controls and prudent business practices require the Organization to establish and implement policies and procedures to ensure that the year-end closing process includes a timely reconciliation of all accounts to ensure accurate ending balances are reported. Several audit adjustments were necessary to properly report the balances of accounts receivable, accounts payable, and revenue accounts.	30000	We recommend that the Organization update its year-end closing procedures to include additional review procedures to ensure account balances are reconciled before the audit.	Partially Implemented; See Finding 2021-001
Finding 2020-003: Student Services Account	The Organization maintains a student services debit account, which is used to pay for transportation, meals, testing, and student activities. The account activity should follow prudent business practices, including management oversight, regular financial reporting, and implementation of internal controls.	30000	We recommend that the Organization assign an employee in the Business Office or its back-office service provider to be responsible for the oversight of the account. This position should review bank statements and reconciliations on a monthly basis.	Partially Implemented; See Finding 2021-002

ENCORE EDUCATION CORPORATION
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status

Finding 2020-003: Student Services Account (continued)	During our review of the internal controls over the account at the Hesperia campus, we noted the following:
	
	• A budget is not prepared or adopted by the Organization.
	• Minutes of Student Council meetings were not available to be reviewed by the auditors
	• We tested a sample of 15 cash disbursements and found:
	  o Thirteen disbursements were not approved until after the expense had been incurred.
	  o Thirteen disbursements were lacking student approval altogether.
	  o Fourteen disbursements were lacking supporting documentation, such as an invoice, bill, or receipt.
	  o Twelve disbursements lacked evidence of receipt of goods or services prior to disbursement.
	  o Three expenses appeared to be an inappropriate use of funds.
	• Furthermore, we reviewed bank statements for the entire fiscal year and made the following observations:
	  o The Organization wrote a total of 241 checks during the year for a total of $233,200 and made 1,360 electronic debit transactions for a total of $324,752.
	  o The Organization paid a total of $2,693 in bank card and other bank fees during the year.
	  o It appears that multiple employees of the Organization have access to debit cards, as several separate card numbers were identified.
	  o The Organization incurred numerous charges for items that appear to be personal in nature, such as gas stations, convenience stores, grocery stores, drug stores, and unspecified purchases from Amazon.
			We further recommend that the Organization site bookkeeper maintain all records associated with the account for proper control of the assets and to prevent misappropriation of assets. Furthermore, back-ups should be conducted at a minimum of once per month in order to limit the potential of lost data.
			
			Finally, we recommend the following:
			
			• We recommend that the Organization discontinue the use of electronic debit cards for the bank account, as all expenses should be paid for with checks. The use of electronic debit cards exposes the Organization to the risk of fraudulent activity.
			• As a best practice, we recommend that expenditures be approved prior to incurring the cost.
			• We recommend that the Organization document a physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing “ok to pay” or “received” and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.
			• It is important for organizations to have adequate internal controls over their fundraising events, properly evaluate the effectiveness of those events, and account for a fundraiser’s financial activity. Revenue potentials are used as a budgeting and planning tool. The form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income. We recommend that revenue potentials be prepared for all major fundraising activities.
			• We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.
			• Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit.	

ENCORE EDUCATION CORPORATION
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2020-003: Student Services Account (continued)	Without conducting a more detailed forensic audit, we are unable to determine the nature and bona-fide business purpose of these expenses. o Bank statements are not properly and accurately reconciled. Although QuickBooks on-line is used for accounting purposes, reconciliations are done in Excel, and they do not properly reconcile the bank balance to the accounting records. Furthermore, the June reconciliation lists numerous outstanding checks. • We tested a sample of 10 cash receipts and found: o Receipts did not have adequate supporting documentation from the point of collection to the point of deposit. Without supporting documentation, we cannot determine whether all cash collected was deposited in the bank.		We recommend the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives. Furthermore, the Principal or Activities Advisor should review the bank reconciliation and initial and date the bank statement and reconciliation as evidence they were reviewed. Review of the bank reconciliations by someone other than the bookkeeper is an important internal control to detect errors and possible questionable or suspicious activity.	
Finding 2020-004: Cash Disbursement Controls	The Organization should obtain approval through a purchase order prior to making any purchases. The Organization should ensure that expenditures are paid only with supporting documentation. During our review of the Organization's cash disbursements, 15 of 20 expenses sampled did not receive approval prior to purchase. Furthermore, 5 of 20 expenses lacked adequate supporting documentation.	30000	We recommend that the Organization implement controls to ensure that all disbursements are approved by purchase order or contract before being incurred. Furthermore, we recommend that all disbursements be supported by an original invoice or receipt documenting the purpose and amount of the expense.	Not Implemented; See Finding 2021-003
Finding 2020-005: Nonclassroom-Based Instruction	California Code of Regulations (CCR) Section 11960, defines "attendance," for use in calculating charter school ADA, as occurring when "charter school pupils [are] engaged in educational activities required of them by their charter schools on days when school is actually taught in their charter schools".	10000	The School has closed effective June 30, 2020, so no further action is necessary.	Implemented

ENCORE EDUCATION CORPORATION
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2020-005: Nonclassroom-Based Instruction (continued)	The Encore High School for the Arts – Riverside credited one pupil for 9 days of attendance credit, but did not document that the pupil was engaged in educational activities on 6 of those days.			
Finding 2020-006: Unduplicated Pupil Counts	*This is a partial repeat of Finding 2019-002.* California Education Code section 42238.01 states, in part: “Pupils of limited English proficiency” means pupils who do not have the clearly developed English language skills of comprehension, speaking, reading, and writing necessary to receive instruction only in English at a level substantially equivalent to pupils of the same age or grade whose primary language is English. “English learner” shall have the same meaning as provided for in subdivision (a) of Section 306 and as “pupils of limited English proficiency.” California Education Code section 42238.02(b)(1) states: For purposes of this section “unduplicated pupil” means a pupil enrolled in a school district or a charter school who is either classified as an English learner, eligible for a free or reduced-price meal, or is a foster youth. A pupil shall be counted only once for purposes of this section if any of the following apply: (A) The pupil is classified as an English learner and is eligible for a free or reduced-price meal. (B) The pupil is classified as an English learner and is a foster youth. (C) The pupil is eligible for a free or reduced-price meal and is classified as a foster youth. (D) The pupil is classified as an English learner, is eligible for a free or reduced-price meal, and is a foster youth.	40000	We recommend that the Organization implement controls to ensure that contemporaneous supporting documentation is maintained to support all students reported for the unduplicated pupil counts and implement policies and procedures to ensure that the CALPADS is updated with changes in students’ FRPM and EL designations.	Implemented

ENCORE EDUCATION CORPORATION
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2020-006: Unduplicated Pupil Counts (continued)	California Education Code section 42238.02(b)(2) states: Under procedures and timeframes established by the Superintendent, commencing with the 2013-14 fiscal year, a school district or charter school shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System. California Education Code section 42238.02(b)(4) states: The Superintendent shall make the calculations pursuant to this section using the data submitted by local educational agencies, including charter schools, through the California Longitudinal Pupil Achievement Data System. Under timeframes and procedures established by the Superintendent, school districts and charter schools may review and revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System. During our review of the Organization's Unduplicated Local Control Funding Formula (LCFF) Pupil Counts, we noted an error with two (2) students who were classified as English Learner (EL) eligible.			