ENCORE EDUCATION CORPORATION

HESPERIA, CALIFORNIA

Charter No. 0971

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2022

ENCORE EDUCATION CORPORATION
For the Fiscal Year Ended June 30, 2022
Table of Contents

FINANCIAL SECTION

Page

Independent Auditors' Report 1
Financial Statements:
Statement of Financial Position 4
Statement of Activities 5
Statement of Cash Flows 6
Statement of Functional Expenses 7
Notes to Financial Statements 8

SUPPLEMENTARY INFORMATION

Local Education Agency Organizational Structure 20
Schedule of Average Daily Attendance 21
Schedule of Instructional Time 22
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 23
Schedule of Expenditures of Federal Awards 24
Notes to Supplementary Information 25

OTHER INDEPENDENT AUDITORS' REPORTS

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* 26
Independent Auditors' Report on Compliance For Each Major Federal Program and Report On Internal Control Over Compliance Required By The Uniform Guidance 28
Independent Auditors' Report on State Compliance 30

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 32
Financial Statement Findings 33
Federal Award Findings and Questioned Costs 37
State Award Findings and Questioned Costs 38
Summary Schedule of Prior Audit Findings 41

Financial Section

INDEPENDENT AUDITORS' REPORT

Board of Directors
Encore Education Corporation
Hesperia, California

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of Encore Education Corporation (a California nonprofit Organization) and its subsidiaries, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows, and functional expenses for the fiscal year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the LEA Organization Structure, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents, except for the LEA Organization Structure, is fairly stated, in all material respects, in relation to the financial statements as a whole.

The LEA Organization Structure 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 December 9, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Murrieta, California
December 9, 2022

ENCORE EDUCATION CORPORATION

Statement of Financial Position

June 30, 2022

ASSETS		
Current Assets:		
Cash	$	414,330
Accounts receivable (Note 3)		2,971,114
Prepaid expenses		24,663
Total current assets		3,410,107
Non-current Assets:		
Deferred rent asset (Note 4)		1,212,102
Property, plant, and equipment, net (Note 5)		724,287
Total non-current assets		1,936,389
Total Assets	$	5,346,496
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	761,972
Accrued payroll and benefits		461,266
Due to grantor governments		1,025,064
Total liabilities		2,248,302
Net assets		
Without donor restrictions		2,514,766
With donor restrictions (Note 6)		583,428
Total net assets		3,098,194
Total Liabilities and Net Assets	$	5,346,496

ENCORE EDUCATION CORPORATION

Statement of Activities

For the Fiscal Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
LCFF revenues	$ 7,509,778	$ -	$ 7,509,778
Federal revenues	-	2,406,719	2,406,719
State special education	-	357,968	357,968
Lottery	114,687	53,111	167,798
STRS on-behalf	(192,720)	-	(192,720)
Other state revenues	32,543	1,056,053	1,088,596
Other local revenues	3,976,211	-	3,976,211
Net assets released from restrictions	3,642,601	(3,642,601)	-
Total revenues, gains, and other support	15,083,100	231,250	15,314,350
Expenses			
Program Services:			
Education	7,093,141	-	7,093,141
Supporting Services:			
Management and general	5,716,326	-	5,716,326
Total Expenses	12,809,467	-	12,809,467
Change in net assets	2,273,633	231,250	2,504,883
Net Assets			
Beginning of year	241,133	352,178	593,311
End of year	$ 2,514,766	$ 583,428	$ 3,098,194

ENCORE EDUCATION CORPORATION
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets from operations	$	2,504,883
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation		177,018
(Increase) decrease in operating assets:		
Accounts receivable		1,781,080
Prepaid expenses		12,174
Deferred rent asset		41,761
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities		563,815
Due to grantor governments		(135,577)
Deferred revenue		(140,814)
Net cash provided (used) by operating activities		4,804,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and building improvements		(262,378)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on factored receivables		(3,362,582)
Paycheck Protection Program loan proceeds		(2,000,000)
Capital lease principal payments		(4,209)
Payments on settlement payable		(187,500)
Net cash provided (used) by financing activities		(5,554,291)
Net increase (decrease) in cash		(1,012,329)
Cash:		
Beginning of year		1,426,659
End of year	$	414,330
SUPPLEMENTAL DISCLOSURE		
Interest paid	$	222,727

ENCORE EDUCATION CORPORATION

Statement of Functional Expenses

For the Fiscal Year Ended June 30, 2022

	Program Services	Supporting Services	
	Education	Management And General	Total Expenditures
Certificated salaries	$ 2,613,777	$ 396,119	$ 3,009,896
Classified salaries	662,301	1,524,540	2,186,841
Benefits	911,673	828,902	1,740,575
Total Salaries and Benefits	4,187,751	2,749,561	6,937,312
Books & supplies	522,672	35,943	558,615
Services & other operating expenses	2,018,411	2,391,910	4,410,321
Noncapitalized equipment	223,278	280,196	503,474
Depreciation	141,029	35,989	177,018
Interest	-	222,727	222,727
Totals	$ 7,093,141	$ 5,716,326	$ 12,809,467

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, 2022, 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, 2022. 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, 2022, 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.

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, 2022, 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.

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 and Cash Equivalents
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, 2022, 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, 2022, the Organization had cash in the amount of $316,817 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

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

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	$	414,330
Accounts receivable		2,971,114
Prepaid expenses		24,663
Less: donor restrictions		(583,428)
Total current assets	$	2,826,679

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, 2022, consisted of the following:

Federal Government:		
ESSER	$	556,528
Special education		132,533
Federal nutrition		36,737
Other federal		599
State Government:		
EPA		1,954,852
SB 740 facility grant		152,903
Educator effectiveness		45,055
A-G entitlements		40,121
Lottery		36,829
Special education		12,707
Local:		
Other local		2,250
Total	$	2,971,114

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 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 $1,212,102 for the campus.

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, 2022 was $177,018.

The components of property, plant, and equipment as of June 30, 2022 are as follows:

Building and Improvements	$	121,635
Furniture, Fixtures, and Equipment		2,153,961
Work in Progress		5,000
Less: Accumulated Depreciation		(1,556,309)
Total capital assets, net	$	724,287

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2022:

Educator effectiveness	$	225,273
Expanded learning opportunity grant		206,618
A-G entitlements		160,484
In person instruction		(10,619)
Low-performing students block grant		1,672
Totals	$	583,428

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

NOTE 7 – 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 Organization 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.

NOTE 7 – EMPLOYEE RETIREMENT PLANS (continued)

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

Plan Description (continued)
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.

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, 2022, 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.

NOTE 7 – EMPLOYEE RETIREMENT PLANS (continued)

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

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

	Contribution	Required Contribution Rate
2021-22	$ 476,624	16.92%
2020-21	$ 436,634	16.15%
2019-20	$ 762,477	17.10%

On-Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the School. 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, 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 School for its proportionate share of the State's on-behalf contributions is $(192,720).

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Schools 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.

NOTE 7 – EMPLOYEE RETIREMENT PLANS (continued)

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

Benefits Provided (continued)
The CalPERS provisions and benefits in effect at June 30, 2022, 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%

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
2021-22	$ 453,624	20.910%
2020-21	$ 409,505	20.700%
2019-20	$ 718,972	19.721%

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 8 – 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, 2022. 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, and $2,180,000 in Charter School Revenue Bonds (the 2022 Revenue Bonds) through the California Enterprise Development Authority.

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

Year Ending June 30,	Amount
2023	$ 1,350,100
2024	1,352,450
2025	1,347,850
2026	1,351,550
2027	1,346,000
2027-2032	6,016,350
2032-2037	4,913,750
2037-2042	4,903,750
2042-2047	4,907,500
2047-2052	4,908,250
Total	$ 32,397,550

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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, 2022.

NOTE 10 – RELATED PARTY TRANSACTION

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. On May 2, 2022 the Borrower issued an additional $2,180,000 by issuing Charter School Revenue Bonds through the California Enterprise Development Authority (the 2022 Revenue Bonds).

NOTE 10 – RELATED PARTY TRANSACTION (continued)

Bonds Payable – Western Encore Properties (continued)
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 and 2022 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 Revenue Bonds.

Under the terms of the 2016 and 2022 Revenue Bonds, the LLC then leased the campus to the Corporation pursuant to a Lease Agreement, dated November 1, 2016 and amended on May 1, 2022. The payments under this Lease Agreement match the principal and interest payments on the 2016 and 2022 Revenue Bonds. The trustee then applies all such payments semiannually to make the principal and interest payments to holders of the 2016 and 2022 Revenue Bonds.

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
2023	$ 430,000
2024	460,000
2025	485,000
2026	520,000
2027	525,000
2027-2032	2,505,000
2032-2037	2,050,000
2037-2042	2,605,000
2042-2047	3,330,000
2047-2052	4,250,000
Total	$ 17,160,000

NOTE 11 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2022, have been evaluated through December 9, 2022, the date at which the Organization's audited financial statements were available to be issued.

New Accounting Standard
On February 25, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. This ASU codifies FASB *Accounting Standards Codification* (ASC) 842, *Leases.* FASB ASC 842 is applicable to any entity that enters into a lease and applies to all leases and subleases of property, plant, and equipment.

Similar to ASC 840, the prior lease accounting standard, ASC 842 uses a two-model approach for lessees; each lease is classified as either a finance lease or an operating lease. This applies to all leased asset categories covered under the standard, including leases of equipment and real estate. “Finance lease” is a new term and replaces the term, “capital lease,” used under Topic 840. Additionally, ASC 842 changes the criteria defining a finance/capital lease. Lessees reporting under Topic 842 are required to recognize both the assets and the liabilities arising from their leases. The lease liability is measured as the present value of lease payments, while the lease asset is equal to the lease liability adjusted for certain items like prepaid rent, initial direct costs, and lease incentives.

Lessor accounting remains largely unchanged from ASC 840 to 842. Lessors can classify leases as operating, sales-type, or direct financing leases, but the leveraged lease type under ASC 840 is eliminated under ASC 842. Lessor accounting is covered in full detail in ASC 842-30. No significant changes were made to the requirements for balance sheet recognition.

In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, which, among other provisions, deferred the effective dates for applying ASC 842 for certain not-for-profit entities that have not yet issued financial statements or made financial statements available for issuance as of June 3, 2020. The ASU also deferred the effective date for applying ASC 842 by one year for entities within the “all other entities” category.

The standard will become effective for the Encore Education Corporation in the current fiscal year ending on June 30, 2023.

Supplementary Information

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, 2022, the Organization operated one public charter school: 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, 2021 through June 30, 2026 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
Chandale Sutton	Chair	June, 2023
Rob Gabler	Member	June, 2022
Kathy Staley	Member	June, 2022

ADMINISTRATORS

Dr. Sabrina Bow,
Executive Director

Liza Contreras,
Director of Operations & Finance

ENCORE EDUCATION CORPORATION
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2022

	Originally Reported		As Audited	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Total ADA:				
Grades 7-8	226.28	221.93	217.84	213.49
Grades 9-12	421.89	415.57	385.51	379.19
Total	648.17	637.50	603.35	592.68
Classroom-based ADA:				
Grades 7-8	215.29	209.86	215.29	209.86
Grades 9-12	374.71	368.92	374.71	368.92
Total	590.00	578.78	590.00	578.78

ENCORE JR./SR. HIGH SCHOOL FOR THE PERFORMING & VISUAL ARTS

Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Grade 7	54,000	67,114	175	Complied
Grade 8	54,000	67,114	175	Complied
Grade 9	64,800	67,672	175	Complied
Grade 10	64,800	67,672	175	Complied
Grade 11	64,800	67,672	175	Complied
Grade 12	64,800	67,672	175	Complied

ENCORE EDUCATION CORPORATION

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

For the Fiscal Year Ended June 30, 2022

	Statement of Financial Position
June 30, 2022, annual financial and budget report net assets	$ 3,271,429
Adjustments and reclassifications:	
Increase (decrease) in total net assets:	
Accounts payable understated	(208,175)
Accounts receivable understated	34,940
June 30, 2022, audited financial statement net assets	$ 3,098,194

ENCORE EDUCATION CORPORATION

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing 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	$ 25,772	
National School Lunch Program	10.555	13523	163,561	
SNP COVID-19 Emergency Operational Costs Reimbursement	10.555		24,406	
Pandemic EBT Local Administrative Grant	10.649	15644	614	
Total Child Nutrition Cluster				$ 214,353
Total U.S. Department of Agriculture				214,353
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		179,994
Title II, Part A, Supporting Effective Instruction Local	84.367	14341		26,913
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396		17,262
Passed through the Desert Mountain SELPA:				
Individuals with Disabilities Education Act (IDEA):				
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	15638	30,129	
ARRA IDEA Part B, Sec 611, Basic Local Assistance	84.027	13379	102,404	
Total Special Education (IDEA) Cluster				132,533
COVID-19: Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	137,237	
Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	15547	499,864	
Elementary and Secondary School Emergency Relief (ESSER III) Fund	84.425U	15517	1,197,078	
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	1,485	
Total Education Stabilization Fund				1,835,664
Total U.S. Department of Education				2,192,366
Total Expenditures of Federal Awards				$ 2,406,719

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

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)
Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Charter. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards
The schedule of expenditures of Federal awards includes the Federal grant activity of the Charter and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (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 Charter did not elect to use the ten percent de minimis indirect cost rate.

Other Independent Auditors' Reports

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, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 9, 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 questioned costs as Findings 2022-001 and 2022-002 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 questioned costs as Finding 2022-003 to be a significant deficiency.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2022-007.

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 questioned costs. 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.

Murrieta, California
December 9, 2022

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

Board of Directors
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, 2022. 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, 2022.

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 Charter'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.

Murrieta, California
December 9, 2022

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Encore Education Corporation
Hesperia, California

Report on Compliance

Opinion
We have audited the Encore Education Corporation (Corporation) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the Corporation's state program requirements identified below for the year ended June 30, 2022.

In our opinion, Encore Education Corporation complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2021-22 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;

- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the Corporation's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Yes
Charter School Facility Grant Program	Yes

Areas marked as not applicable were not operated by the Corporation.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2022-004 through 2022-009.

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Murrieta, California
December 9, 2022

Schedule of Findings and Questioned Costs

ENCORE EDUCATION CORPORATION

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2022

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?	Yes

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
84.425D, 84.425C 84.425, 84.425U	*Education Stabilization Fund*

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:	Qualified

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 2022-001: FINANCIAL REPORTING ERRORS (30000)
This is a partial repeat of Finding 2021-001.

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: Audit adjustments were necessary to properly report the balances of certain accounts receivable and accounts payable balances.

Cause: The School relied on an outside back-office consulting firm to assist with year-end closing, but did not have an employee with 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: While the year-end closing procedures were updated to include additional review procedures following last year's audit finding, the nature of the adjusting journal entries in this 2021-22 fiscal year audit primarily related to booking of new categorical revenue programs and accounts payable items that we rely on our back-office provider to determine. As a result of our expanded closing procedures, we did reduce the total adjusting journal entry amount from $593,311 in 2020-21 to $173,235 this year, a reduction of over 70%.

For the upcoming 2022-23 fiscal year, we have expanded the Controller role to a new Director of Operations and Finance position, and this new Director is responsible for review of all year-end closing procedures for this upcoming 22-23 fiscal year.

FINDING 2022-002: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)
This is a partial repeat of Finding 2021-002

Criteria: Business office staff are responsible for general oversight of student body activities. In this capacity, the business office staff should:

- Serve as a resource and answer questions from the ASB staff.
- Develop and update the School's ASB manual based on input from the site staff, student organizations and auditors. The questions that are asked throughout the year and the findings noted by the auditors should also be taken into consideration when updating the manual.
- Provide training at least annually on the School's ASB manual or procedures. This includes providing new staff members and student council members with copies of the manual and training during the year.
- Make periodic internal audits to review the procedures in operation and answer questions.
- Obtain and review financial reports at least quarterly.
- Review the reconciled bank statements for all ASB accounts regularly, preferably monthly.
- Work with the staff to respond to problems noted by the auditors in the annual audit and develop corrective actions to resolve the problems.
- Follow up on all issues regarding the administration of student organizations.
- Develop accounting procedures for recording and controlling the student body organization's financial transactions.
- Periodically review procedures to make sure they conform to prescribed accounting procedures.

The ASB bookkeeper has the responsibility of maintaining and overseeing the entire ASB process which involves independently maintaining a complete set of financial records for the Associated Student Body, student body operations, and all student body accounts and to follow proper internal controls.

Conditions:
During our review of the ASB 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.
- Inventory count not done on a timely basis.
- We tested a sample of 24 cash disbursements and found:
    - 14 disbursements were not approved by a school representative, ASB advisor, and student representative until after the expense had been incurred.
    - 6 disbursements were 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 31 checks during the year for a total of $19,373, and made 53 electronic debit transactions for a total of $17,021. The majority of the electronic debit transactions occurred in July and August 2021. Starting in September 2021, we noted the School started using an Emburse account for disbursements.
- We tested a sample of 12 cash receipts and found:
    - Five 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.
    - Three receipts appeared to be revenue for the School and not ASB. Revenue should not be passed through the ASB account.

FINDING 2022-002: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000) (continued)
This is a partial repeat of Finding 2021-002

Cause: The School lacks oversight over the ASB function 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;
- ASB funds are being used for the students' benefit.

Effect:

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

Recommendation: We recommend that the School assign an employee in the Business Office to be responsible for the oversight of the ASB accounts. 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 ASB for proper control of the ASB 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:

- Education Code Section 48933(b) requires all expenditures from ASB 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.
- We recommend an inventory count is taken monthly. It is important to count inventory on a regular basis to lower the risk of misappropriation of assets.

FINDING 2022-002: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000) (continued)
This is a partial repeat of Finding 2021-002

Recommendation (continued):

- 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 ASB 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 ASB Bookkeeper is an important internal control to detect errors and possible questionable or suspicious activity.

School Response: Encore operates a Student Services Account, which is not a formal ASB fund, so many of the statutory requirements set forth in Education Code are not directly applicable to our Student Services Account and related programs. However, we understand and agree with the need to ensure accurate financial and operational controls for our Student Services Account.

During the 2021-22 year, the School's Controller established improved controls for the Student Services Account, including implementation of the Emburse platform for expenditure control that resulted in replacement of the debit card system with dedicated Emburse cards with individual authorization, customized spending types, and purchase limits.

For the 2022-23 year, our Director of Operations and Finance will be prioritizing additional compliance and review for our Student Services Account.

FINDING 2022-003: CASH DISBURSEMENT CONTROLS (30000)
This is a repeat of Finding 2021-003

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, 13 of 40 expenses sampled did not receive approval prior to purchase and 3 of 40 lacked appropriate support documentation.

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 and ensure all documentation is kept.

School Response: We understand and agree with the need for preapproval of all purchases to maintain proper accounting controls and will be reviewing our current procedures to ensure this is occurring as planned.

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 federal award findings or questioned costs in 2021-22.

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

FINDING 2022-004: IN-PERSON INSTRUCTION (40000)

Criteria: Pursuant to Education Code section 43521(c)(3), subparagraphs (B) (ii), LEAs that do not provide in-person instruction pursuant to paragraph (3) on or before May 15, 2021, shall forfeit all funds apportioned pursuant to paragraph (1).

Condition: During our review we noted the School received in-person instruction grant funds but did not start in-person instruction by May 15, 2021.

Context: N/A

Effect: The amount of the forfeited grant is $151,433.

Cause: The School did not submit the data to confirm the return of students to in-person instruction.

Recommendation: Not applicable since this was a one time grant.

School Response: Encore transitioned from its original founding management team to a new Executive Director and management team during this 2021-22 fiscal year. The new management team, under the guidance of the Executive Director, has prioritized categorical reporting and compliance for current and ongoing funding opportunities.

FINDING 2022-005: EXPANDED LEARNING OPPORTUNITY GRANT (40000)

Criteria: If the Local Educational Agency (LEA) received the Expanded Learning Opportunities Grant apportionment, the LEA governing board is required to adopt on or before June 1, 2021, in a public meeting, a plan describing how the apportioned funds would be used in accordance with Education Code Section 43522 and submit the plan within five days of adoption pursuant to subdivision (e) of Education Code Section 43522.

Condition: The Board adopted the ELO-G plan on June 2, 2021. The deadline to adopt the plan was June 1, 2021.

Context: Not applicable.

Cause: The School was behind schedule in approving the plan by the Board.

Effect: None

Recommendation: Not applicable because this is a one-time reporting requirement.

School Response: Encore transitioned from its original founding management team to a new Executive Director and management team during this 2021-22 fiscal year. The new management team, under the guidance of the Executive Director, has prioritized categorical reporting and compliance for current and ongoing funding opportunities.

FINDING 2022-006: CALIFORNIA CLEAN ENERGY (40000)

Criteria: Local Educational Agencies (LEAs) are required to submit a final project completion report to the California Clean Energy Commission 12-15 months after the energy expenditure plan is completely installed. An energy expenditure plan is considered complete when the LEA has completed all measures in the approved energy expenditure plan. A final project completion report is required for each approved energy expenditure plan.

Condition: The School completed its project on December 31, 2018 but submitted the final report on June 1, 2020, about 17 months after completion.

Context: Not applicable, because this was the only project.

Cause: The School was behind schedule in preparing and submitting this report.

Effect: None.

Recommendation: Not applicable because this was the final project. No future final reports will be required.

School Response: We understand the requirement for a finding on this item, as the final report was submitted 17 months following completion of the installation of the project, while the California Energy Commission regulations state final reports should be filed in 12-15 months (but do not set a firm deadline). However, the actual deadline for filing final reports was not until June 30, 2022. Encore's final report was accepted with no changes and Encore received full funding under this project.

FINDING 2022-007: INDEPENDENT STUDY AGREEMENTS (10000, 40000)

Criteria: California Education Code (EC) Section 51747 requires that local educational agencies that claim apportionment for independent study must first adopt and implement written specified policies relating to independent study. The required written policies must be developed as specified in the California Code of Regulations, Title 5, Section 11701.

No ADA may be claimed from independent study until the written agreement is completed (EC sections 46300.7, 51747[c][8]).

Condition: During our testing of independent study agreements, we found four (4) instances where pupils were credited with attendance prior to the signing of the agreement by the parent and/or teacher within 30 days of the start of independent study. In addition, we noted four (4) instances where the work sample was not kept with the pupil's file and twenty-two (22) instances where documentation could not be provided to show the pupil was engaged in educational activity for each day of independent study. Furthermore, the independent study master agreement prior to February 7, 2022 was missing required audit elements. Therefore, any nonclassroom-based ADA prior to that date should be disallowed.

Cause: The School lacked procedures to ensure agreements were signed in a timely manner and all documents were turned in prior to claiming any attendance credit**.**

Effect: The errors result in a disallowance of 8.44 ADA for grades 7-8 and 36.38 for grades 9-12. Using the CDE's derived value of ADA by grade span results in a penalty of $485,375. However, because of the new ADA-yield calculations, the impact of this finding may be minimized or eliminated.

FINDING 2022-007: INDEPENDENT STUDY AGREEMENTS (10000, 40000) (continued)

Context: The errors were noted in all 22 agreements tested at the School.

Recommendation: We recommend the School appoint an employee to oversee independent study and implement procedures in the program to ensure the program is in compliance.

School Response: We understand and agree with the need for compliance with independent study regulations. Due to the "hold harmless" attendance yield adjustment approved in the 2022-23 State Budget, there is no fiscal impact to funding or average daily attendance as a result of this disallowance and no waiver is required. We will ensure a qualified employee is overseeing independent study and compliance.

FINDING 2022-008: EDUCATION PROTECTION ACT (40000)

Criteria: Funds provided from the Education Protection Account should be properly expended as required by Article XIII, section 36, Subdivision (e), Paragraph (6) of the California Constitution.

Condition: Upon review of an EPA expense listing, one expense was found to be charged to function 2700 and one to function 7200. It was determined through the School's EPA budget that functions 7200 and 2700 are unallowable, as they are administrative expenses.

Cause: The School charged oversight fees but failed to correct the function codes.

Effect: None.

Recommendation: We recommend that the School move the unallowed expenses to another resource. Furthermore, they should create a process to ensure correct coding of expenses before posting to the accounting system.

School Response: We understand and agree with the need for compliance with Education Protection Act funding, and will adjust the SACS resource as indicated and ensure ongoing compliance with EPA coding requirements.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2021-001: Financial Reporting Errors	*This is a partial repeat of Finding 2020-002* 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. Several audit adjustments were necessary to properly report the balances of accounts receivable, accounts payable, and revenue accounts.	30000	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	Not implemented. See Finding 2022-001.
Finding 2021-002: Student Services Account	*This is a partial repeat of Finding 2020-003* 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. 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: o Seven disbursements were not approved by a school representative, advisor, and student	30000	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	Partially implemented. See Finding 2022-002.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2021-002: Student Services Account (continued)	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.		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.	

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2021-003: Cash Disbursement Controls	*This is a repeat of Finding 2020-004* 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. During our review of the School's cash disbursements, all 25 expenses sampled did not receive approval prior to purchase.	30000	We recommend that the School implement controls to ensure that all disbursements are approved by purchase order or contract before being incurred.	Not implemented. See Finding 2022-003.
Finding 2021-004: Distance Learning/ Attendance	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. 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.	10000	Not applicable, since distance learning was only required in the 2020-21 fiscal year.	Not Applicable.
Finding 2021-005: Distance Learning/ Attendance	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 Upon initial inquiry in April 2021, the 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	10000	Not applicable since this was only a requirement during the 2020-21 fiscal year.	Not Applicable.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2021-005: Distance Learning/ Attendance (continued)	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.			
Finding 2021-006: Instructional Minutes	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. 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.	40000	We recommend the School ensure that students are offered the minimum number of daily and instructional minutes during the 2021-22 school year.	Implemented.