

VIRTUAL PREP ACADEMY @ LUCERNE

CHARTER SCHOOL NUMBER: 1975

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**VIRTUAL PREP ACADEMY @ LUCERNE
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE	12
SCHEDULE OF INSTRUCTIONAL TIME	13
SCHEDULE OF AVERAGE DAILY ATTENDANCE	14
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS	15
NOTES TO SUPPLEMENTARY INFORMATION	16
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 <i>GOVERNMENT AUDITING STANDARDS</i>	17
INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE	19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	22
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	23



INDEPENDENT AUDITORS' REPORT

Board of Directors
Virtual Prep Academy @ Lucerne
Lucerne, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Virtual Prep Academy @ Lucerne (the School), a California nonprofit public benefit corporation, 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 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 the School as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Virtual Prep Academy @ Lucerne and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility 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 School'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 School's ability to continue as a going concern for a reasonable period of time.

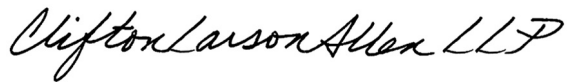
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The supplementary information (as identified in the table of contents) accompanying supplementary schedules 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, except for the portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The Local Education Agency Organization Structure, which is marked "unaudited", 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 a report dated December 2, 2022 on our consideration of the School'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 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 School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
December 2, 2022

VIRTUAL PREP ACADEMY @ LUCERNE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,065,622
Accounts Receivable - Federal and State	1,709,356
Prepaid Expenses and Other Assets	<u>33,014</u>
Total Current Assets	<u>2,807,992</u>

LONG-TERM ASSETS

Property, Plant, and Equipment, Net	<u>39,527</u>
Total Long-Term Assets	<u>39,527</u>

Total Assets	<u><u>\$ 2,847,519</u></u>
--------------	----------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 2,412,505
Deferred Revenue	50,000
Revolving Loan Payable, Current Portion	<u>62,494</u>
Total Current Liabilities	<u>2,524,999</u>

Total Liabilities	2,524,999
-------------------	-----------

NET ASSETS

Without Donor Restrictions	<u>322,520</u>
Total Net Assets	<u>322,520</u>

Total Liabilities and Net Assets	<u><u>\$ 2,847,519</u></u>
----------------------------------	----------------------------

See accompanying Notes to Financial Statements.

VIRTUAL PREP ACADEMY @ LUCERNE
STATEMENT OF ACTIVITIES
JUNE 30, 2022

REVENUES, WITHOUT DONOR RESTRICTIONS

State Revenue:	
State Aid	\$ 4,352,070
Other State Revenue	375,425
Federal Revenue:	
Grants and Entitlements	343,118
Local Revenue:	
In-Lieu Property Tax Revenue	107,164
Total Revenues, Without Donor Restriction	<u>5,177,777</u>

EXPENSES

Program Services	2,988,162
Management and General	1,911,657
Total Expenses	<u>4,899,819</u>

CHANGE IN NET ASSETS	277,958
-----------------------------	---------

Net Assets Without Donor Restrictions - Beginning of Year	<u>44,562</u>
---	---------------

NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u><u>\$ 322,520</u></u>
--	--------------------------

VIRTUAL PREP ACADEMY @ LUCERNE
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 1,306,870	\$ 554,771	1,861,641
Pension Expense	206,078	38,470	244,548
Other Employee Benefits	105,379	33,692	139,071
Payroll Taxes	41,620	33,692	75,312
Management Fees	-	133,918	133,918
Legal Fees	-	18,151	18,151
Other Fees for Services	983,403	919,786	1,903,189
Advertising and Promotion Expenses	-	480	480
Office Expenses	-	17,705	17,705
Information Technology	14,920	157	15,077
Depreciation Expense	-	14,362	14,362
Conference and Meeting Expenses	-	4,016	4,016
Interest Expense	-	2,499	2,499
Instructional Materials	314,746	4,063	318,809
Insurance	-	39,091	39,091
Other Expenses	15,146	96,804	111,950
	<u>\$ 2,988,162</u>	<u>\$ 1,911,657</u>	<u>\$ 4,899,819</u>
Total Functional Expenses			

See accompanying Notes to Financial Statements.

VIRTUAL PREP ACADEMY @ LUCERNE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 277,958
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	14,362
Change in Operating Assets:	
Accounts Receivable - Federal and State	(1,310,467)
Prepaid Expenses and Other Assets	(26,354)
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	1,913,890
Deferred Revenue	50,000
Net Cash Provided by Operating Activities	<u>919,389</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property, Plant, and Equipment	<u>(38,856)</u>
Net Cash Used by Investing Activities	(38,856)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of Debt	<u>(62,502)</u>
Net Cash Used by Financing Activities	<u>(62,502)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

818,031

Cash and Cash Equivalents - Beginning of Year

247,591

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,065,622

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	<u><u>\$ 2,499</u></u>
------------------------	------------------------

See accompanying Notes to Financial Statements.

VIRTUAL PREP ACADEMY @ LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Virtual Prep Academy @ Lucerne (the School), previously named Elite Academic Workforce Academy, is a California nonprofit public benefit corporation and is organized to manage and operate a public charter school.

The School is funded principally through the state of California public education monies received through the California Department of Education and the Lucerne Valley Unified School District (the District).

The District has granted the charter through June 30, 2025. The charter may be revoked by the District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

In April 2020, the Elite Academic Workforce Academy Board ratified their bylaws and passed a resolution to remove all current Board members (existing Board) and exercised replacement power by appointing two new board members to fill the vacancies in Elite Academic Workforce Academy's Board of Directors. The Elite Academic Workforce Academy Board (new) approved a services agreement with Accel Schools effective July 1, 2020.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly, reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The expenses that are allocated include salaries and wages, benefits, payroll taxes, and pension expenses. The remaining expenses are directly applied.

VIRTUAL PREP ACADEMY @ LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2022. Management believes that all receivables are fully collectible, therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased, or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The School capitalizes all expenditures for land, buildings and equipment in excess of \$1,000.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

VIRTUAL PREP ACADEMY @ LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. The School has conditional grants of \$518,623 of which \$50,000 is reflected as deferred revenue at June 30, 2022.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Income Taxes

The School is a nonprofit 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. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files and exempt school return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Evaluation of Subsequent Events

The School has evaluated subsequent events through December 2, 2022, the date these financial statements were available to be issued.

VIRTUAL PREP ACADEMY @ LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of cash and cash equivalents and accounts receivable for the total amount of \$2,774,978

As part of the School's liquidity management plan, the School monitors liquidity required and cash flows to meet operating needs on a monthly basis. The School structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CONCENTRATION OF CREDIT RISK

The School maintains its cash in bank deposit accounts at various institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$14,362 for the year ended June 30, 2022.

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

Equipment, Furniture and Fixtures	\$ 61,406
Total	<u>61,406</u>
Less: Accumulated Amortization	(21,879)
Total Property, Plant, and Equipment	<u><u>\$ 39,527</u></u>

NOTE 5 REVOLVING LOANS PAYABLE

In August 2018, the School received a revolving loan from the California Department of Education (CDE) in the amount of \$250,000. The loan requires annual principal payments of \$62,502. The loan has a term of four years and carries an interest rate of 2.232%. Annual payments of principal and interest are deducted from the School's apportionment.

The loan repayment is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	<u>\$ 62,494</u>
Total	<u><u>\$ 62,494</u></u>

VIRTUAL PREP ACADEMY @ LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 EMPLOYEE RETIREMENT

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2021 total STRS plan net assets are \$310 billion, the total actuarial present value of accumulated plan benefits is \$414 billion, contributions from all employers totaled \$5.744 billion, and the plan is 73% funded. The School did not contribute more than 5% of the total contributions to the plan.

Funding

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2022 was 16.92% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The School's contributions to STRS for the past three years are as follows:

<u>Year Ending June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2020	\$ 45,475	100%
2021	\$ 41,594	100%
2022	\$ 244,548	100%

NOTE 7 CONTINGENCIES AND COMMITMENTS

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

In prior fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its 2022 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

SUPPLEMENTARY INFORMATION

VIRTUAL PREP ACADEMY @ LUCERNE
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITOR'S REPORT)
UNAUDITED

The School began serving students in September 2018 and is sponsored by the Lucerne Valley Unified School District (the District).

Charter school number authorized by the state: 1975

The Board of Directors and the Administrator as of the year ended June 30, 2022 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term</u>
Delores Collins	Board President	June 30, 2022
Jack Pierce	Board Member	June 30, 2022
Rina Hernandez	Board Member	June 30, 2022

ADMINISTRATOR

Michelle Romaine	Principal
------------------	-----------

**VIRTUAL PREP ACADEMY @ LUCERNE
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)**

N/A – The School is a non-classroom based school.

See accompanying Notes to Supplementary Information.

VIRTUAL PREP ACADEMY @ LUCERNE
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

P-2 Report - Nonclassroom Average Daily Attendance

	Apportionment Days Claimed through P-2	Number of School Calendar Days through P-2	Average Daily Attendance P-2 Report
Track A	144	64,122	445.29
ADA Totals			445.29
			Average Daily Attendance
Grades K-3			187.60
Grades 4-6			121.44
Grades 7-8			88.38
Grades 9-12			47.87
ADA Totals			445.29

P-Annual Report - Nonclassroom Average Daily Attendance

	Apportionment Days Claimed through P-3	Number of School Calendar Days through P-3	Average Daily Attendance P-3 Report
Track A	180	80,091	444.95
ADA Totals			444.95
			Average Daily Attendance
Grades K-3			187.76
Grades 4-6			120.30
Grades 7-8			89.58
Grades 9-12			47.31
ADA Totals			444.95

There is no Average Daily Attendance generated through classroom-based instruction.

**VIRTUAL PREP ACADEMY @ LUCERNE
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)**

There were no differences between the annual financial report with audited financial statements.

See accompanying Notes to Supplementary Information.

**VIRTUAL PREP ACADEMY @ LUCERNE
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by School and whether School complied with the provisions of the Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.



**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
Virtual Prep Academy @ Lucerne
Lucerne, 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 of America, the financial statements of Virtual Prep Academy @ Lucerne (the School), a nonprofit California public benefit corporation, 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 year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

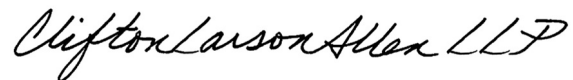
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
December 2, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Virtual Prep Academy @ Lucerne
Lucerne, California

Opinion on State Compliance

We have audited Virtual Prep Academy @ Lucerne's (the School) compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2022. The School's State compliance requirements are identified in the table below.

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects 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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Our responsibilities under those standards and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel 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 School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the compliance with the state laws and regulations as identified below.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to below occurred, whether due to fraud or error, and express an opinion on the School'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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit

Appeals Panel will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, 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 School's compliance with the compliance requirements referred to below and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School'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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable
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	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Not Applicable

<u>Description</u>	<u>Procedures Performed</u>
Charter Schools:	
Attendance	Yes
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on compliance is not modified with respect to these matters.

School's Response to Findings

The School's response to the noncompliance finding is identified in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
December 2, 2022

**VIRTUAL PREP ACADEMY @ LUCERNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
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

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

State Compliance Finding:

2022-001 Educator Effectiveness 40000

Criteria or Specific Requirement: The School must develop and adopted a plan, pursuant to Education Code Section 41480 d1, delineating how the Educator Effectiveness funds will be spent and will present in a public meeting of the governing board of the School before it's adoption in a subsequent public meeting.

Condition: During a review of board minutes, it was noted that the School held a public meeting and presented and approved the plan in the same board meeting.

Effect: The School did not meet compliance requirement.

Cause: The School was not aware that the plan was to be approved in a subsequent board meeting.

Recommendation: It is recommended that the School provide proper training to ensure compliance requirement has been met. The School should determine if they need to return \$11,596 in funds for Educator Effectiveness.

School Response:

The School will provide proper training to ensure compliance requirement has been met.

**VIRTUAL PREP ACADEMY @ LUCERNE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

There were no findings and questioned costs related to the basic financial statements or state awards for the prior year.

