

ELITE ACADEMIC ACADEMY - LUCERNE

CHARTER SCHOOL NUMBER: #1923

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



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**ELITE ACADEMIC ACADEMY - LUCERNE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Elite Academic Academy - Lucerne
Temecula, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Elite Academic Academy - Lucerne (the Academy), 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 Academy 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 Elite Academic Academy - Lucerne 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 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 Academy'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 Academy'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 Academy'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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, 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 November 26, 2022 on our consideration of the Academy'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 Academy'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 Academy's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
November 26, 2022

ELITE ACADEMIC ACADEMY - LUCERNE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 407,508
Accounts Receivable - Federal and State	1,251,532
Due From Related Parties	151,637
Prepaid Expenses and Other Assets	503,667
Total Current Assets	<u>2,314,344</u>

Total Assets	<u><u>\$ 2,314,344</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 430,943
Revolving Loan Payable, Current Portion	62,494
Deferred Revenue	178,887
Factored Receivables Liability	256,000
Total Current Liabilities	<u>928,324</u>

NET ASSETS

Without Donor Restriction	<u>1,386,020</u>
Total Net Assets	<u>1,386,020</u>

Total Liabilities and Net Assets	<u><u>\$ 2,314,344</u></u>
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See accompanying Notes to Financial Statements.

**ELITE ACADEMIC ACADEMY - LUCERNE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

REVENUES, WITHOUT DONOR RESTRICTION

State Revenue:	
State Aid	\$ 7,240,119
Other State Revenue	417,341
Federal Revenue:	
Grants and Entitlements	502,721
Local Revenue:	
In-Lieu Property Tax Revenue	185,525
Other Revenue	10,186
Total Revenues	<u>8,355,892</u>

EXPENSES

Program Services	5,940,464
Management and General	2,381,924
Total Expenses	<u>8,322,388</u>

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	33,504
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Net Assets Without Donor Restriction, Beginning of Year	<u>1,352,516</u>
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NET ASSETS WITHOUT DONOR RESTRICTION, END OF YEAR	<u><u>\$ 1,386,020</u></u>
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See accompanying Notes to Financial Statements.

ELITE ACADEMIC ACADEMY - LUCERNE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 33,504
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Change in Operating Assets:	
Accounts Receivable - Federal and State	(280,000)
Accounts Receivable - Other	2,966
Prepaid Expenses and Other Assets	(437,192)
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	150,309
Deferred Revenue	(9,975)
Net Cash Used by Operating Activities	<u>(540,388)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Change in Factored Receivables	256,000
Repayments of Debt	<u>(62,502)</u>
Net Cash Provided by Financing Activities	<u>193,498</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

(346,890)

Cash and Cash Equivalents, Beginning of Year

754,398

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 407,508

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	<u><u>\$ 35,094</u></u>
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See accompanying Notes to Financial Statements.

ELITE ACADEMIC ACADEMY - LUCERNE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Total Expenses
Salaries and Wages	\$ 3,091,318	\$ 736,099	\$ 3,827,417
Pension Expense	418,444	100,304	518,748
Other Employee Benefits	239,949	56,944	296,893
Payroll Taxes	102,023	24,212	126,235
Management Fees	-	200,581	200,581
Accounting Fees	-	12,390	12,390
Legal Fees	-	26,287	26,287
Other Fees for Services	794,534	846,507	1,641,041
Advertising and Promotion Expenses	-	175,237	175,237
Office Expenses	55,864	18,768	74,632
Information Technology	206,822	41,534	248,356
Occupancy Expenses	-	85,628	85,628
Travel Expenses	17,759	-	17,759
Conference and Meeting Expenses	43,156	-	43,156
Interest Expense and Financing Fees	-	35,094	35,094
Payments to Affiliates	-	12,300	12,300
Instructional Materials	970,595	-	970,595
Other Expenses	-	10,039	10,039
	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>\$ 5,940,464</u></u>	<u><u>\$ 2,381,924</u></u>	<u><u>\$ 8,322,388</u></u>

See accompanying Notes to Financial Statements.

ELITE ACADEMIC ACADEMY - LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Elite Academic Academy - Lucerne (the Academy) is a California nonprofit public benefit corporation and is organized to manage and operate a public charter school.

The Academy 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.

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 Academy'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. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, information technology, and other expenses, which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

The Academy 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.

ELITE ACADEMIC ACADEMY - LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the Academy 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.

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 contributions 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.

ELITE ACADEMIC ACADEMY - LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Academy 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. As of June 30, 2022, the Academy has conditional grants of \$518,155 of which \$178,887 is recognized as deferred revenue in the statement of financial position.

Other Revenue

Other revenue consist primarily of other services. The performance obligation for providing these services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year.

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 Academy 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 Academy 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 Academy is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Academy is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Academy files an exempt Academy 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 Academy has evaluated subsequent events through November 26, 2022, the date these financial statements were available to be issued.

ELITE ACADEMIC 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 comprise cash and cash equivalents and accounts receivable for the total amount of \$1,810,677.

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

NOTE 3 CONCENTRATION OF CREDIT RISK

The Academy 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 Academy 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 REVOLVING LOAN PAYABLE

In August 2018, the Academy 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 Academy's apportionment.

The loan repayment is as follows:

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

NOTE 5 FACTORED RECEIVABLES

On May 10, 2022, the School entered into an agreement with Charter Asset Management to factor attendance and grant receivables. The amount of factored receivables due as of June 30, 2022 is \$256,000.

ELITE ACADEMIC ACADEMY - LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 OPERATING LEASES

In December 2018, the Academy entered into a lease agreement to occupy an office building in Temecula, California. The site will be used as administrative offices for the school to utilize in operating the charter school. The agreement called for a security deposit amounting to \$29,556 upon the execution of the lease. The Academy has recorded this deposit as a current asset. The lease agreement covers a term of four years, which commenced on January 1, 2019 and is set to end on December 31, 2022. The Academy paid a total of \$60,850 in lease payments in the fiscal year ended June 30, 2022.

Future lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 25,754

NOTE 7 EMPLOYEE RETIREMENT

State Teachers' Retirement System (STRS)

Plan Description

The Academy contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer 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 Academy did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826, and www.calstrs.com.

Funding Policy

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 Academy 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.

ELITE ACADEMIC ACADEMY - LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 EMPLOYEE RETIREMENT (CONTINUED)

The Academy'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	\$ 296,455	100%
2021	320,278	100%
2022	517,748	100%

Defined Contributions Benefit Plan

We sponsor a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all full-time employees. The plan provides that employees who have attained the age of 21 and completed one year of service may voluntarily contribute from 3% to 10% of their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the board of directors each plan year. During the year ended June 30, 2022, the Academy matched contributions amounting to \$9,853.

SchoolFirst Federal Credit Union 401(a) Plan

In July 2020, the Academy adopted a 401(a) plan administered by SchoolsFirst Plan Administration. The Academy makes discretionary employer non-elective contributions as defined in the 401(a) plan and eligible employees are vested based on years of service as defined in the 401(a) plan. Contributions to the 401(a) plan for the year ended June 30, 2022, was \$21,435.

NOTE 8 RELATED PARTY TRANSACTIONS

The Academy has one sister school, Elite Academic Academy – Mountain Empire, which is a related party. The related party has an independent Board of Directors from Elite Academic Academy - Lucerne, which do not require consolidation under accounting principles generally accepted in the United States of America. At June 30, 2022, the amounts due from Elite Academic Academy – Mountain Empire totaled \$151,637.

NOTE 9 CONTINGENCIES, RISKS, AND UNCERTAINTIES

The Academy 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.

ELITE ACADEMIC ACADEMY - LUCERNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, printing and postage, information technology, and other expenses, which are allocated on the basis of estimates of time and effort.

SUPPLEMENTARY INFORMATION

**ELITE ACADEMIC ACADEMY - LUCERNE
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE – UNAUDITED
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)
UNAUDITED**

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

Charter school number authorized by the State: 1923

The board of directors and the administrators as of the year ended June 30, 2022 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term End (Length)</u>
Susan McDougal	Board President	February 2024 (2 Years)
Cody Simms	Board Vice President	February 2024 (2 Years)
Kent Christensen	Board Treasurer/Secretary	February 2024 (2 Years)

ADMINISTRATORS

Meghan Freeman	Chief Executive Officer
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**ELITE ACADEMIC ACADEMY - LUCERNE
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2022**

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

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**ELITE ACADEMIC ACADEMY - LUCERNE
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2022**

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	14,703	107	137.41
Track B	66,191	123	538.14
ADA Totals			<u>675.55</u>
			Average Daily Attendance
Grades K-3			171.67
Grades 4-6			123.90
Grades 7-8			110.81
Grades 9-12			269.17
ADA Totals			<u>675.55</u>

P-Annual Report - Nonclassroom Average Daily Attendance

	Apportionment Days Claimed through P-Annual	Number of School Calendar Days through P-Annual	Average Daily Attendance P-Annual Report
Track A	16,802	175	96.01
Track B	94,551	175	540.29
ADA Totals			<u>636.30</u>
			Average Daily Attendance
Grades K-3			170.98
Grades 4-6			125.11
Grades 7-8			110.59
Grades 9-12			229.62
ADA Totals			<u>636.30</u>

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

**ELITE ACADEMIC ACADEMY - LUCERNE
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

June 30, 2022 Annual Financial Report Fund Balances (Net Assets)	\$ 1,372,529
Adjustments and Reclassifications:	
Increase (Decrease) of Fund Balance (Net Assets):	
Cash and Cash Equivalents	16,257
Accounts Receivable - Federal and State	(7,961)
Prepaid Expenses and Other Assets	4,275
Accounts Payable and Accrued Liabilities	920
Net Adjustments and Reclassifications	<u>13,491</u>
June 30, 2022 Audited Financial Statement Fund Balances (Net Assets)	<u><u>\$ 1,386,020</u></u>

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**ELITE ACADEMIC ACADEMY - LUCERNE
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by Academy and whether Academy 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 Academy. 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
Elite Academic Academy - Lucerne
Temecula, 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 Elite Academic Academy - Lucerne (the Academy), 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 November 26, 2022.

Report on Internal Control Over Financial Reporting

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

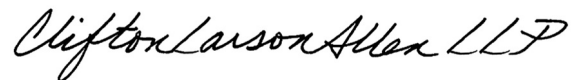
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Academy'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 non-compliance 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
November 26, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Elite Academic Academy - Lucerne
Temecula, California

Opinion on State Compliance

We have audited Elite Academic Academy - Lucerne (the Academy) 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 Academy's State compliance requirements are identified in the table below.

In our opinion, the Academy 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 Academy 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 Academy'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 Academy'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 Academy'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 Academy'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 Academy'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 Academy'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 Academy'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)	Yes
Career Technical Education Incentive Grant	Yes
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

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
November 26, 2022

**ELITE ACADEMIC 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* or the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**ELITE ACADEMIC 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.



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