

ENCORE LEARNING
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Encore Learning
New Orleans, LA

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Encore Learning (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 Learning as of June 30, 2022 and 2021, and the changes in its net assets, functional expenses, and cash flows for the years 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Encore Learning 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 opinions.

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 Encore Learning's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 generally accepted auditing standards 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 the audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

Exercise professional judgment and maintain professional skepticism throughout the audits.

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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of Encore Learning'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 Encore Learning'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Emphasis of Matter

The financial statements for the year ended June 30, 2022 reflect a subsequent event as described in Note 6 to the financial statements. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 has been subjected to the auditing procedures applied in the audits 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 Performance and Statistical Data Agreed Upon Procedures, the Schedule of Compensation, Benefits and Other Payments to the School Leader, and the Statewide Agreed Upon Procedures are not a required part of the basic financial statements but are supplementary information required by Louisiana State Law. 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.

We have applied certain limited procedures, which are described in the Independent Accountants' Report on Applying Agreed-Upon Procedures. However we did not audit this information and, accordingly, express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2022, on our consideration of Encore Learning'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 the results of that testing, and not to provide an opinion on the effectiveness of Encore Learning'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 Encore Learning's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Daigrepont & Brian APAC". The signature is written in a cursive, flowing style.

Daigrepont & Brian, APAC
Baton Rouge, LA

December 11, 2022

ENCORE LEARNING
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash	\$ 2,113,858	\$ 1,638,967
Grants receivable, net	436,354	905,223
Other receivable, net	69,480	-
Other current assets	73,602	58,122
Restricted cash, current	1,956,583	-
Total Current Assets	<u>4,649,877</u>	<u>2,602,312</u>
Property and Equipment		
Furniture and fixtures	80,050	80,050
Equipment	1,024,169	888,122
Leasehold improvements	-	583,499
Building and improvements	7,901,461	-
	<u>9,005,680</u>	<u>1,551,671</u>
Accumulated depreciation	(1,085,547)	(1,079,613)
Total Property and Equipment	<u>7,920,133</u>	<u>472,058</u>
Land	135,000	-
Construction in progress	1,312,657	-
Net Property and Equipment	<u>9,367,790</u>	<u>472,058</u>
Other Assets		
Restricted cash, noncurrent	795,408	-
Total Other Assets	<u>795,408</u>	<u>-</u>
Total Assets	<u>\$ 14,813,075</u>	<u>\$ 3,074,370</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 750,211	\$ 277,939
Accrued interest	47,237	-
Accrued salaries and benefits	266,145	284,641
Bonds payable, current portion	200,000	-
Total Current Liabilities	<u>1,263,593</u>	<u>562,580</u>
Long Term Liabilities		
Bonds payable, net of current	11,227,806	-
Total Long Term Liabilities	<u>11,227,806</u>	<u>-</u>
Total Liabilities	12,491,399	562,580
Net Assets Without Donor Restrictions	<u>2,321,676</u>	<u>2,511,790</u>
Total Liabilities and Net Assets	<u>\$ 14,813,075</u>	<u>\$ 3,074,370</u>

See accompanying notes and independent auditors' report.

ENCORE LEARNING
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Minimum Foundation Program	\$ 5,165,322	\$ 5,533,427
Federal grants	2,492,932	1,386,356
State grants	241,658	501,741
Contributions	52,221	37,169
PPP loan forgiveness	-	913,455
Other income	18,678	61,529
Total Revenues	<u>7,970,811</u>	<u>8,433,677</u>
EXPENSES		
Program services	7,283,197	6,957,286
Management and general	877,728	555,752
Total Expenses	<u>8,160,925</u>	<u>7,513,038</u>
CHANGE IN NET ASSETS	(190,114)	920,639
Net assets - beginning of year	<u>2,511,790</u>	<u>1,591,151</u>
Net assets - end of year	<u>\$ 2,321,676</u>	<u>\$ 2,511,790</u>

See accompanying notes and independent auditors' report.

**ENCORE LEARNING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Curriculum and assessment	\$ 75,341	\$ -	\$ 75,341
Depreciation	218,838	72,946	291,784
Employee benefits	384,573	17,124	401,697
Equipment and furniture	5,892	5,891	11,783
Food service	353,703	-	353,703
Insurance	216,072	44,342	260,414
Interest expense	239,512	79,837	319,349
Loss on disposal	220,416	73,472	293,888
Miscellaneous	21,204	10,219	31,423
Payroll taxes	269,684	12,113	281,797
Professional development	44,286	11,071	55,357
Rent	247,533	81,211	328,744
Repairs and maintenance	111,861	37,287	149,148
Salaries	3,754,749	194,502	3,949,251
Supplies	87,601	55,464	143,065
Technical and professional services	467,236	128,603	595,839
Transportation	403,758	-	403,758
Utilities	160,938	53,646	214,584
	<u>\$ 7,283,197</u>	<u>\$ 877,728</u>	<u>\$ 8,160,925</u>

See accompanying notes and independent auditors' report.

**ENCORE LEARNING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Curriculum and assessment	\$ 490,570	\$ -	\$ 490,570
Depreciation	111,476	27,869	139,345
Employee benefits	425,680	13,336	439,016
Equipment and furniture	112,119	28,030	140,149
Food service	257,223	-	257,223
Insurance	59,138	7,215	66,353
Miscellaneous	6,335	8,881	15,216
Office expense	1,657	4,969	6,626
Payroll taxes	287,525	7,165	294,690
Professional development	4,431	-	4,431
Rent	590,673	147,668	738,341
Repairs and maintenance	157,028	39,257	196,285
Salaries	3,743,950	118,425	3,862,375
Supplies	31,158	15,379	46,537
Technical and professional services	214,575	97,646	312,221
Transportation	304,099	-	304,099
Utilities	159,649	39,912	199,561
	<u>\$ 6,957,286</u>	<u>\$ 555,752</u>	<u>\$ 7,513,038</u>

See accompanying notes and independent auditors' report.

**ENCORE LEARNING
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (190,114)	\$ 920,639
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Depreciation	291,784	139,345
PPP loan forgiveness	-	(913,455)
Bad debt expense	1,195	-
Loss on disposal	293,888	-
Amortization of bond discounts, cost of issuance and premium, net	54,380	-
Decrease (Increase) in grant receivables, net	467,674	(147,834)
Increase in other receivables	(69,480)	-
(Increase) Decrease in other current assets	(15,480)	76,571
Increase in accounts payable	472,272	127,664
Increase in accrued interest	47,237	-
Decrease in accrued salaries and benefits	(18,496)	(49,012)
Total adjustments	<u>1,524,974</u>	<u>(766,721)</u>
Net cash provided by operating activities	1,334,860	153,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for construction in progress	(1,312,657)	-
Cash payments for fixed asset purchases	<u>(8,168,747)</u>	<u>(165,362)</u>
Net cash used in investing activities	(9,481,404)	(165,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bonds payable, net	11,593,426	-
Principal payments on bonds payable	<u>(220,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>11,373,426</u>	<u>-</u>
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	3,226,882	(11,444)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	<u>1,638,967</u>	<u>1,650,411</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 4,865,849</u></u>	<u><u>\$ 1,638,967</u></u>

See accompanying notes and independent auditors' report.

**ENCORE LEARNING
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF CASH AND RESTRICTED CASH		
Cash	\$ 2,113,858	\$ 1,638,967
Restricted cash, current	1,956,583	-
Restricted cash, noncurrent	795,408	-
	<u>\$ 4,865,849</u>	<u>\$ 1,638,967</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest during the year	<u>\$ 217,732</u>	<u>\$ -</u>

See accompanying notes and independent auditors' report.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

1. Summary of Significant Accounting Policies

(a) Organization

Encore Learning (the School) began operations on June 19, 2009 in New Orleans, LA as a non-profit organization and on March 1, 2012 was granted full approval as a Type One charter by the Orleans Parish School Board (OPSB). The School first opened for enrollment beginning in the 2012-2013 school year. In prior years, the School operated under a charter in Orleans Parish which expired June 30, 2017 and was not renewed. The School has since been approved as a Type 3 charter and officially became it's own local education agency (LEA) as of July 1, 2017 under the OPSB. The charter will expire on June 30, 2023 and is not expected to be renewed. This matter is further discussed in the subsequent event footnote below.

(b) Basis of Accounting

The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions are net assets that are not subject to donor-imposed restrictions and are available for use at the organization's discretion.

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions that may or will be met, either by actions of the organization, and/or the passage of time. Once the restrictions are met, they are reclassified to net assets without donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(c) Revenues

The School receives the majority of its revenue from the Minimum Foundation Program (MFP). The amount of the MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The allocation calculation is primarily based on the student enrollment at the School and is recognized monthly when received.

Federal and state funds are passed through the Louisiana Department of Education and the OPSB. The School's federal grant funding is on a cost reimbursement basis and is recognized as earned once the expenditures have been incurred.

The School receives private funding in the form of contributions from various individuals and entities. Contributions are recognized when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The School does not have any activity that would give rise to variable consideration.

(d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

1. Summary of Significant Accounting Policies (continued)

(e) Cash

For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. During the year, cash may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes.

(f) Restricted cash

Restricted cash balances consist of amounts credited to the School's bank accounts in compliance with Series 2021A and 2021B bond terms and covenants. There were net restricted cash balances at June 30, 2022 and 2021 of \$2,751,991 and \$0, respectively and is discussed in the debt footnote below.

(g) Accounts Receivable

Accounts receivable represent amounts due under federal and state grant programs as well as contributions. The grant programs are reimbursable in nature and revenue is recognized as a receivable once the expenditures are incurred. Contributions are recognized at estimated fair value when the donor makes a pledge to give when it is an unconditional promise. The School does not recognize a conditional promise to give until the conditions upon which the promise depends are substantially met.

(h) Functional Expenses

The School allocates its expenses on a functional basis between program service or general and administrative. Expenses that can be identified with the school curriculum are allocated directly according to their natural expense classification. Other expenses are allocated between program service and general and administrative based on management's estimate of time, percentage, or square footage used, among other factors.

(i) Income Taxes

The School accounts for income taxes in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School files information returns in the U.S. federal jurisdiction. The School is not subject to U.S. federal income tax examinations by tax authorities beyond three years from the filing of those returns.

2. Compensated Absences

Employees earn paid time off based on various factors such as length of service and job title. Any unused paid time off is paid out at the end of the year and does not carry over to the following year. Therefore, there are no compensated absences accrued at June 30, 2022 or 2021.

3. Reclassification

Certain amounts included in the prior year financial statements have been reclassified to conform to the current year presentation.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

4. Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the least term. The useful lives range from three to twenty seven years. The School's policy is to capitalize renewals and betterments acquired for greater than \$1,000 and expense normal repairs and maintenance as incurred.

All assets acquired with public funds are the property of the School for the duration of the charter. If the charter is revoked or surrendered, or the School otherwise ceases to operate, all assets purchased with public funds will automatically revert to full ownership by BESE or the appropriate agency.

Depreciation expense was \$291,784 and \$139,345 for the years ended June 30, 2022 and 2021, respectively.

5. Concentrations

At various times during the year, the School maintained cash balances in its bank accounts in excess of FDIC insurable limits. In evaluating this credit risk, the School periodically evaluated the stability of these financial institutions.

The School receives the majority of its operating revenue from the State of Louisiana in the form of MFP funding. The School also receives grants from federal agencies, state agencies, and private foundations. The percentage of revenue and receivables from these sources in excess of 10% is as follows:

	Revenue	Receivables
2022		
MFP	65%	N/A
Federal Grants	31%	60%
State Grants	N/A	26%
Due from Bond Commission	N/A	11%
2021		
MFP	66%	N/A
Federal Grants	16%	55%
State Grants	N/A	45%
PPP Loan Forgiveness	11%	N/A

6. Subsequent Event

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 11, 2022, which is the date the financial statements were available to be issued.

On November 29, 2022 the OPSB voted not to renew the School's charter which is set to expire on June 30, 2023. The School is currently seeking means to overturn this ruling, but there is currently no appeal process available to the School. The School is also considering seeking a different charter type to continue operations. As of the date the financial statements were available to be issued, the School has been unable to obtain confirmation it will be allowed to continue operating after June 30, 2023.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

7. Retirement Plan

The School offers a 403(b) retirement plan for eligible employees. Eligibility to participate in the plan is based on the employee’s age, length of service, and various other factors. For those that are eligible, the School will match up to 5% of the employee’s contributions. The School does not participate in the Teachers’ Retirement System of Louisiana (TRSL).

For the years ended June 30, 2022 and 2021 the amount paid related to the School’s retirement plan was \$73,049 and \$59,285, respectively.

8. Lease

In 2015, the School sold a building and piece of land that it had previously purchased to a third party developer so that it could be renovated. On March 30, 2015 the school signed a lease with this developer to occupy the building. The lease was scheduled to begin on the later of June 30, 2015 or when the Certificate of Occupancy was delivered. The building was not completed by June 30, 2015 so the lease did not commence until September 21, 2015 which was the first day of classes at the newly renovated building. The lease was schedule to expire on June 30, 2025. However, the School bought back the building using the proceeds from the Series 2021A and 2021B bond issue, which is further discussed in the debt footnote below.

In addition to the annual lease payments the School was also required to pay a developer fee of 3% of the total project cost. These payments are equal to 2% of the prior year's monthly lease payments beginning on the first day of the third lease year and continuing until paid in full. Lease and developer fees for the years ended June 30, 2022 and 2021 were \$309,254 and \$722,157 , respectively.

9. Commitments and Contingencies

The School receives grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the School’s management that its compliance with the terms of the grant will not result in any disallowed costs.

10. Liquidity and Availability of Financial Assets

The following reflects the School's financial assets as of the statement of financial position date within one year of the statement of financial position date.

Financial Assets at Year End:	2022	2021
Cash, Unrestricted	\$ 2,113,858	\$ 1,638,967
Grants Receivable, net	436,354	905,223
Other Receivable, net	69,480	-
Available Line of Credit	100,000	100,000
Requirements for bond covenants	(816,004)	-
Financial Assets Available for General Expenditures	<u>\$ 1,903,688</u>	<u>\$ 2,644,190</u>

As part of the School's liquidity management, cash is kept in a checking account that can be accessed to meet daily needs of the organization. In addition, the School has a \$100,000 line of credit it could draw upon in the event of an unanticipated liquidity need.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

11. Debt

Bonds Payable

In November 2021, Louisiana Public Facilities Authority Series 2021A and 2021B were issued for the purpose of providing funds to pay for the School's academic facility along with other improvements to be made to the campus. The Series 2021A bonds were issued with a par value of \$11,125,000, premium of \$680,170, discount of \$82,116 and cost of issuance of \$157,175. The Series 2021B bonds were issued at a par value of \$415,000, discount of \$128,794 and a cost of issuance of \$258,659. The premium, discount and cost of issuance are amortized over the useful life of the bonds on the straight-line basis.

The Series 2021A bonds are able to be redeemed prior to the scheduled maturity date beginning in fiscal year 2031 while the Series 2021B do not have this option. Interest rates for both Series bonds are set at 5%. The bonds mature in varying amounts and years detailed as follows:

June 1:	2021A	2021B	Total
2025	\$ -	\$ 415,000	\$ 415,000
2031	1,730,000	-	1,730,000
2041	3,280,000	-	3,280,000
2051	6,115,000	-	6,115,000
	<u>\$ 11,125,000</u>	<u>\$ 415,000</u>	<u>\$ 11,540,000</u>

The portion of the interest incurred relating to the on-going construction of the campus will be capitalized and added to the Construction in Progress until construction is finished and the addition has been placed into service. The remaining interest is applicable to the building and is included in interest expense as incurred. Interest for the years ended June 30, 2022 and 2021 of \$93,158 and \$0, respectively was capitalized and added to the balance of construction in progress. Amortization of the bond discounts and cost of issuance were \$67,792 and \$0 for the years ended June 30, 2022 and 2021, respectively. For the years ended June 30, 2022 and 2021 amortization of the bond premium was \$13,412 and \$0, respectively.

The balance of the outstanding bonds are reported net of all principal payments, premiums, discounts, and cost of issuance (COI), and consist of the following for the years ended June 30, 2022 and 2021, respectively:

	2022	2021
Bonds Payable, at Par	\$ 11,540,000	\$ -
Less: Principal Payments to Date	(220,000)	-
Original Issue Premium	680,170	-
Less: Accumulated Amortization of Premium	(13,412)	-
Less: Underwriter Discount/COI	(626,744)	-
Accumulated Amortization of Discount/COI	67,792	-
Net Bonds Payable	<u>\$ 11,427,806</u>	<u>\$ -</u>

The proceeds from bond issuance are restricted for various purposes and are to be held in separate accounts for the specific purposes of servicing the debt, making payments to construct the facility, and to ensure the School maintains adequate reserves to maintain the facility in normal operating conditions. The bonds are insured by the facility being constructed and several insurance policies.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

11. Debt (continued)

Bonds Payable (continued)

Estimated principal and sinking fund payments are as follows:

	Series 2021A	Series 2021B	Interest	Repair Reserve	Total
Fiscal Year 2023	\$ 100,000	\$ 100,000	\$ 566,000	\$ 50,004	\$ 816,004
Fiscal Year 2024	100,000	100,000	556,000	50,004	806,004
Fiscal Year 2025	100,000	100,000	546,000	50,004	796,004
Fiscal Year 2026	195,000	-	536,000	50,004	781,004
Fiscal Year 2027	205,000	-	526,250	20,815	752,065
Thereafter	10,320,000	-	7,983,000	-	18,303,000
	<u>\$ 11,020,000</u>	<u>\$ 300,000</u>	<u>\$ 10,713,250</u>	<u>\$ 220,831</u>	<u>\$ 22,254,081</u>

Line of Credit

The School has a revolving line of credit of \$100,000 with a bank. Interest on the line of credit is computed at the bank's prime rate, which was 9% at June 30, 2022 and 2021, and is paid monthly. As of June 30, 2022 and 2021 there were no outstanding balances on the line of credit.

PPP Loan

During fiscal year 2020 the School received a Payroll Protection Program (PPP) loan from the SBA in the amount of \$913,455. The purpose of this loan was to maintain payroll and other operating expenses during the COVID-19 pandemic. The terms of the loan allow for the amount to be forgiven in full if the funds are used for payroll and certain operating expenses. Terms for forgiveness were substantially met with the full balance being recorded as revenue as of June 30, 2021.

ENCORE LEARNING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Passed Through LA Department of Education			
National School Lunch Program	10.555	N/A	\$ 392,781
Child and Adult Care Food Program	10.558	N/A	54,021
Commodity Supplemental Food Program	10.569	N/A	<u>15,332</u>
Total Passed Through LA Department of Education			<u>462,134</u>
Total U.S. Department of Agriculture			462,134
U.S. Department of Education			
Passed Through LA Department of Education			
Supporting Effective Instruction State Grant	84.367	S367A180017	38,374
Every Student Succeeds Act (ESSA)			
Title 1 Grants to Local Educational Agencies	84.010	S010A180018	364,511
Direct Student Services	84.010	S010A200018	33,796
Redesign 1003a	84.010	S010A200018	<u>92,414</u>
			490,721
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210003	639,644
COVID-19 ARP - Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210003	581,933
COVID-19 ARP - Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	S425W210019	<u>22,724</u>
Subtotal			1,244,301
Special Education (IDEA) Cluster			
COVID-19 - IDEA - Part B	84.027	H027X210033	25,670
COVID-19 - IDEA - Part B	84.027	H027A210033	3,068
COVID-19 - High Cost Services	84.027	H027A21003320	11,712
COVID-19 - IDEA - Preschool	84.173	H173X210082	2,120
IDEA - Part B	84.027	H027A180033	134,731
IDEA - Preschool	84.173	H173A180082	<u>1,991</u>
Total Special Education (IDEA) Cluster			179,292

See accompanying notes to schedule of expenditures of federal awards.

**ENCORE LEARNING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Comprehensive Literacy Development	84.371	S371C200018	78,110
Total Passed Through LA Department of Education			2,030,798
Total U.S. Department of Education			2,030,798
Total Expenditures of Federal Awards			\$ 2,492,932

See accompanying notes to schedule of expenditures of federal awards.

ENCORE LEARNING
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of Encore Learning (the School) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

During the year ended June 30, 2022, the School did not elect to use the 10% de minimus cost rate as covered in §200.414 of the Uniform Guidance. Instead, the School has an indirect cost rate that is provided by the Louisiana Department of Education.

4. Non-Cash Assistance - Food Commodities

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. During the year ended June 30, 2022 the School received and disbursed commodities amounting to \$15,332.

**ENCORE LEARNING
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE SCHOOL LEADER
FOR THE YEAR ENDED JUNE 30, 2022**

School Leader	<u>T. Smith</u>
Salary	\$ 151,250
Stipend	750
Benefits - insurance	5,256
Benefits - retirement	4,096
Reimbursement	315
	<u>\$ 161,667</u>

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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 Learning
New Orleans, LA

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 Learning (a non-profit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01 that we consider to be material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Encore Learning'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Encore Learning Response to Findings

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

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepont & Brian, APAC
Baton Rouge, LA

December 11, 2022

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

To the Board of Directors
Encore Learning
New Orleans, LA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Encore Learning's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Encore Learning's major federal programs for the year ended June 30, 2022. Encore Learning's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion Encore Learning complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Encore Learning'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material 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 Encore Learning's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

Obtain an understanding of Encore Learning's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing opinions on the effectiveness of Encore Learning's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Daigrepoint & Brian APAC

Daigrepoint & Brian, APAC
Baton Rouge, LA

December 11, 2022

**ENCORE LEARNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

We have audited the financial statements of Encore Learning, as of June 30, 2022, and for the year then ended, and have issued our report thereon dated December 11, 2022. We conducted our audit in accordance with 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 and the provisions of the Uniform Guidance. Our audit of the financial statements as of June 30, 2022 resulted in an unmodified opinion.

Summary of Auditors' Reports

A. Identification of Major Programs

Assistance Listing Number	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type \$ 750,000

Is the auditee a 'low risk' auditee as defined by the Uniform Yes X No

B. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control			
Material Weaknesses	Yes	<u> X </u>	No <u> </u>
Significant Deficiencies	Yes	<u> </u>	No <u> X </u>
Compliance with Provisions of Laws, Regulation, Contracts or Grant Agreements			
	Yes	<u> </u>	No <u> X </u>

C. Report on Each Major Federal Program and on Internal Control Over Compliance

Internal Control			
Material Weaknesses	Yes	<u> </u>	No <u> X </u>
Significant Deficiencies	Yes	<u> </u>	No <u> X </u>

Type of Opinion on Compliance for Each Major Program

Education Stabilization Fund	Unmodified
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Are there findings required to be reported in accordance with the Uniform Guidance Yes No X

Finding - Financial Statement Audit

Finding 2022-01 - Accounting Assistance

Condition:

For the year ended June 30, 2022 management was not able to reconcile certain accounts at year end and instead relied on its independent auditor to propose adjusting entries as part of the audit. The independent auditor cannot be considered part of the internal control structure and therefore this creates a material weakness in internal control.

Cause:

The School failed to have adequate internal controls to verify the completeness and accuracy of the accounting records.

Effect:

Due to the lack of internal controls the School's records did not encompass all of the fiscal year's activity.

Criteria:

The School failed to have procedures in place to ensure the following; (1) all activity is appropriately recorded in the financial records in a manner that is consistent with generally accepted accounting principles and (2) maintain proper documentation to ensure compliance with all bond covenants and terms.

Recommendation

We suggest management take steps to ensure bank reconciliations are performed on a monthly basis and all capital asset additions and disposals are appropriately recorded in a manner that is consistent with accounting principles generally accepted in the United States America.

Management's Response

Management recognizes the need to perform year end reconciliations/adjustments, monitor all forms of capital asset activity, and maintain proper documentation as part of its internal control structure and will take steps to ensure they are performed on a timely and consistent basis. Management will review the adjustments proposed by the independent auditor and will accept responsibility for them.

Questioned Costs

There are no questioned costs for the year ended June 30, 2022.

**ENCORE LEARNING
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary of Prior Audit Findings

There were no prior year audit findings.

Summary of Prior Questioned Costs

There were no prior year questioned cost.

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Encore Learning
New Orleans, LA

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Encore Learning (a non-profit organization) and the Legislative Auditor, State of Louisiana, on the performance and statistical data accompanying the annual financial statements of Encore Learning for the fiscal year ended June 30, 2022; and to determine specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education in compliance with Louisiana Revised Statute 24:514.1. Management of Encore Learning is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

Procedure #1

We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts on the Schedule:

- Total General Fund Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue
- Nonpublic Transportation Revenue

Results of Procedure #1

In performing the testing on the sample of expenditures/revenues we noted no transactions that were inappropriately classified or were recorded at an inappropriate amount.

Class Size Characteristics (Schedule 2)

Procedure #2

We obtained a list of classes by school, school type, and class size as reported on the Schedule. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the Schedule.

Results of Procedure #2

No discrepancies were noted between the classes reported on the Schedule and those in the roll books.

Education Levels/Experience of Public School Staff (No Schedule)

Procedure #3

We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing.

Results of Procedure #3

No differences were noted between the PEP data information provided and the information in the personnel files.

Public School Staff Data: Average Salaries (No Schedule)

Procedure #4

We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalents, and obtained management's representation that the data/list was complete. We then selected 25 individuals, traced to each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Results of Procedure #4

No differences were noted between the salary information reported on the PEP data report provided by management and the supporting records.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Encore Learning, as required by Louisiana Revised Statute 24:514.1, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepoint & Brian
Baton Rouge, LA

December 11, 2022

ENCORE LEARNING
NEW ORLEANS, LA

Schedules Required by State Law (R.S. 24:514 – Performance and Statistical Data)
As of and for the Year Ended June 30, 2022

Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 – Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**ENCORE LEARNING
NEW ORLEANS, LA**

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2022**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 895,276	
Other Instructional Staff Activities	515,332	
Instructional Staff Employee Benefits	531,575	
Purchased Professional and Technical Services	233,986	
Instructional Materials and Supplies	108,740	
Instructional Equipment	<u>147,830</u>	
Total Teacher and Student Interaction Activities		2,432,739
Other Instructional Activities		19,669
Pupil Support Activities		
Less: Equipment for Pupil Support Activities	<u>210,572</u>	
Net Pupil Support Activities		210,572
Instructional Staff Services		
Less: Equipment for Instructional Staff Services	<u>187,641</u>	
Net Instructional Staff Services		187,641
School Administration		
Less: Equipment for School Administration	<u>957,972</u>	
Net School Administration		<u>957,972</u>
Total General Fund Instructional Expenditures		<u><u>\$ 3,808,593</u></u>
Total General Fund Equipment Expenditures		<u><u>\$ 147,830</u></u>

See accompanying independent accountant's report on applying agreed-upon procedures

**ENCORE LEARNING
NEW ORLEANS, LA**

**Class Size Characteristics
As of October 1, 2021**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	27%	52	52%	101	21%	41	0%	-
Elementary Activity Classes	27%	3	55%	6	18%	2	0%	-
Middle/Jr. High	0%	-	0%	-	0%	-	0%	-
Middle/Jr. High Activity Classes	0%	-	0%	-	0%	-	0%	-
High	0%	-	0%	-	0%	-	0%	-
High Activity Classes	0%	-	0%	-	0%	-	0%	-
Combination	0%	-	0%	-	0%	-	0%	-
Combination Activity Classes	0%	-	0%	-	0%	-	0%	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Encore Learning
New Orleans, LA

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. Encore Learning (hereafter The School) management is responsible for those C/C areas identified in the SAUPs.

The School has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception: We noted that the School does not have policies & procedures on I.T. Disaster Recovery/Business Continuity. No other exceptions were noted as a result of applying these procedures.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: No exceptions noted as a result of applying this procedure.

Bank Reconciliations

- 3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions noted as a result of applying this procedure.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions noted as a result of applying this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions noted as a result of applying this procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

10. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
11. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
12. Using the monthly statements or combined statements selected under #11 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature

of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: No exceptions noted as a result of applying this procedure.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

13. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted as a result of applying this procedure.

Contracts

14. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions noted as a result of applying this procedure.

Payroll and Personnel

15. Obtain a listing of employees and officials employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
16. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - b) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - c) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
17. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
18. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions noted as a result of applying this procedure.

Ethics

19. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: The School is a nonprofit organization so this procedure does not apply.

Debt Service

20. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
21. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: The School is a nonprofit organization so this procedure does not apply.

Fraud Notice

22. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

23. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions noted as a result of applying this procedure.

Information Technology Disaster Recovery/Business Continuity

24. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: We performed these procedures and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Results: The School is a nonprofit organization so this procedure does not apply.

Management’s Response: We have reviewed the independent accountant’s report on applying agreed-upon procedures and agree with the exceptions noted. We will review our policies and procedures and update accordingly to include the best practices suggested by the Louisiana Legislative Auditor.

We were engaged by The School to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of The School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in cursive script that reads "Daigrepoint & Brian APAC".

Daigrepoint & Brian, APAC
Baton Rouge, LA

December 11, 2022