

ENCORE LEARNING
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Encore Learning
New Orleans, LA

Report on the Financial Statements

We have audited the accompanying financial statements of Encore Learning (a non-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules 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*, and Schedule of Compensation, Benefits and other Payments to the School Leader, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information 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 Performance and Statistical Data is not a required part of the basic financial statements but is 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 Accountant's Report on Applying Agreed-Upon Procedures. However we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of Encore Learning's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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. 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 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.



Daigrepoint & Brian, APAC
Baton Rouge, LA

December 14, 2021

ENCORE LEARNING
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 1,638,967 | \$ 1,650,411 |
| Accounts receivable, net | 905,223 | 757,389 |
| Prepaid expenses | 45,544 | 123,875 |
| Deposits | 12,578 | 10,818 |
| Total Current Assets | <u>2,602,312</u> | <u>2,542,493</u> |
| Property and Equipment | | |
| Furniture and fixtures | 80,050 | 80,050 |
| Equipment | 868,482 | 728,854 |
| Building and improvements | 583,499 | 557,765 |
| Software | 19,640 | 19,640 |
| | <u>1,551,671</u> | <u>1,386,309</u> |
| Accumulated depreciation | <u>(1,079,613)</u> | <u>(940,268)</u> |
| Total Property and Equipment | <u>472,058</u> | <u>446,041</u> |
| Total Assets | <u>\$ 3,074,370</u> | <u>\$ 2,988,534</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 277,939 | \$ 150,275 |
| Accrued salaries and benefits | 284,641 | 333,653 |
| Short term portion of debt | - | 36,996 |
| Total Current Liabilities | <u>562,580</u> | <u>520,924</u> |
| Long Term Liabilities | | |
| Long term debt | - | 876,459 |
| Total Long Term Liabilities | <u>-</u> | <u>876,459</u> |
| Total Liabilities | 562,580 | 1,397,383 |
| Net Assets Without Donor Restrictions | <u>2,511,790</u> | <u>1,591,151</u> |
| Total Liabilities and Net Assets | <u>\$ 3,074,370</u> | <u>\$ 2,988,534</u> |

See accompanying notes and independent auditors' report.

ENCORE LEARNING
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------------|----------------------------|
| REVENUES | | |
| Minimum Foundation Program | \$ 5,533,427 | \$ 6,492,493 |
| Federal grants | 1,386,356 | 1,206,869 |
| State grants | 501,741 | 436,038 |
| Contributions | 37,169 | 9,135 |
| PPP loan forgiveness | 913,455 | - |
| Other income | 61,529 | 290,466 |
| Total Revenues | <u>8,433,677</u> | <u>8,435,001</u> |
| EXPENSES | | |
| Program services | 6,957,286 | 7,747,666 |
| Management and general | 555,752 | 477,952 |
| Total Expenses | <u>7,513,038</u> | <u>8,225,618</u> |
| CHANGE IN NET ASSETS | 920,639 | 209,383 |
| Net assets - beginning of year | <u>1,591,151</u> | <u>1,381,768</u> |
| Net assets - end of year | <u><u>\$ 2,511,790</u></u> | <u><u>\$ 1,591,151</u></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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Program Services</u> | <u>Management & General</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|-------------------------------------|---------------------|
| Curriculum materials and software | \$ 115,101 | \$ - | \$ 115,101 |
| Bad debt expense | - | 3,282 | 3,282 |
| Depreciation | 97,175 | 24,294 | 121,469 |
| Employee benefits | 402,663 | 6,132 | 408,795 |
| Equipment and furniture | 7,518 | 1,879 | 9,397 |
| Food service | 570,814 | - | 570,814 |
| Insurance | 76,758 | 19,190 | 95,948 |
| Janitorial | 116,812 | 29,203 | 146,015 |
| Miscellaneous | 4,159 | 1,040 | 5,199 |
| Payroll taxes | 335,728 | 5,979 | 341,707 |
| Postage | 1,242 | - | 1,242 |
| Professional development | 24,231 | - | 24,231 |
| Recruiting | 1,890 | - | 1,890 |
| Rent | 589,947 | 147,487 | 737,434 |
| Repairs and maintenance | 116,432 | 29,108 | 145,540 |
| Salaries | 4,082,981 | 95,361 | 4,178,342 |
| Supplies | 129,994 | 7,031 | 137,025 |
| Technical and professional services | 608,726 | 85,123 | 693,849 |
| Telephone | 29,201 | 7,300 | 36,501 |
| Transportation | 374,123 | - | 374,123 |
| Utilities | 62,171 | 15,543 | 77,714 |
| | <u>\$ 7,747,666</u> | <u>\$ 477,952</u> | <u>\$ 8,225,618</u> |

See accompanying notes and independent auditors' report.

**ENCORE LEARNING
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 920,639 | \$ 209,383 |
| <u>Adjustments to reconcile net revenues over expenses to net cash provided by (used in) operating activities:</u> | | |
| Depreciation | 139,345 | 121,469 |
| PPP loan forgiveness | (913,455) | - |
| Bad debt expense | - | 3,282 |
| Increase in accounts receivable | (147,834) | (326,223) |
| Decrease (Increase) in prepaid expense | 78,331 | (80,034) |
| (Increase) Decrease in deposits | (1,760) | 40,000 |
| Increase (Decrease) in accounts payable | 127,664 | (411,961) |
| (Decrease) Increase in accrued salaries and benefits | (49,012) | 104,974 |
| Total adjustments | <u>(766,721)</u> | <u>(548,493)</u> |
| Net cash provided by (used in) operating activities | 153,918 | (339,110) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash payments for fixed assets | <u>(165,362)</u> | <u>(68,767)</u> |
| Net cash used in investing activities | (165,362) | (68,767) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from debt | <u>-</u> | <u>913,455</u> |
| Net cash provided by financing activities | <u>-</u> | <u>913,455</u> |
| (DECREASE) INCREASE IN CASH | (11,444) | 505,578 |
| CASH, BEGINNING OF YEAR | <u>1,650,411</u> | <u>1,144,833</u> |
| CASH, END OF YEAR | <u><u>\$ 1,638,967</u></u> | <u><u>\$ 1,650,411</u></u> |

See accompanying notes and independent auditors' report.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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. 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 its own local education agency (LEA) as of July 1, 2017.

(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. 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) Cash

Cash consists of bank deposits held with financial institutions and cash on hand.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

1. Summary of Significant Accounting Policies (continued)

(e) 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.

(f) 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.

(g) 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.

(h) 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.

2. 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 \$139,345 and \$121,469 for the years ended June 30, 2021 and 2020, respectively.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

3. Reclassification

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

4. 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 |
|----------------------|---------|-------------|
| 2021 | | |
| MFP | 66% | N/A |
| Federal Grants | 16% | 55% |
| State Grants | N/A | 45% |
| PPP Loan Forgiveness | 11% | N/A |
| 2020 | | |
| MFP | 77% | 17% |
| Federal Grants | 14% | 46% |
| State Grants | N/A | 37% |

5. 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, 2021 or 2020.

6. 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, 2021 and 2020 the amount paid related to the School’s retirement plan was \$59,285 and \$86,801 respectively.

7. Subsequent Event

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 14, 2021, which is the date the financial statements were available to be issued.

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

8. Leases

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 expires on June 30, 2025 unless the School exercises one of its three options to renew the lease for additional 5 year periods. The first and second year lease payments are equal to 122% of the developer's debt coverage payments for the total project with the lease amount increasing by 1% over the previous year's lease payments for the remainder of the lease term. Lease expense for the years ended June 30, 2021 and 2020 was \$649,520 and \$643,089, respectively.

In addition to the annual lease payments the School is 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. Developer fees for the years ended June 30, 2021 and 2020 were \$12,862 and \$12,734, respectively.

The School also has the option to purchase the building at any time during the lease term. The purchase option price is equal to 103% of the total project costs plus any unpaid balance of the developer fee or any other amount due under the lease.

Projected annual lease and developer fee payments for the remainder of the lease life is as follows:

| | Lease | Developer Fee |
|------------------|---------------------|-------------------|
| Fiscal Year 2022 | \$ 656,015 | \$ 12,990 |
| Fiscal Year 2023 | 662,576 | 13,120 |
| Fiscal Year 2024 | 669,201 | 13,252 |
| Fiscal Year 2025 | 675,893 | 124,209 |
| | <u>\$ 2,663,685</u> | <u>\$ 163,571</u> |

9. Line of Credit

The School has an 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, 2021 and 2020, and is paid monthly. As of June 30, 2021 and 2020 there were no outstanding balances on the line of credit.

10. 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.

ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

11. 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: | 2021 | 2020 |
| Cash | \$ 1,638,967 | \$ 1,650,411 |
| Accounts Receivable, net | 905,223 | 757,389 |
| Available Line of Credit | 100,000 | 100,000 |
| Financial Assets Available for General Expenditures | <u>\$ 2,644,190</u> | <u>\$ 2,507,800</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.

12. Risk and Uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the School is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

13. Prior Period Adjustment

An error resulting in the misstatement of financial statement categories as presented below in the June 30, 2020 financial statements was identified during the current year. The error was related to an overstatement of change in net assets and deposits due to the improper classification of a rental deposit refunded during fiscal year 2020. The effect of the restatement on the financial statements as of and for the year ended June 30, 2020 are summarized below:

| | As Previously Stated | Adjustment | June 30, 2020 As Restated |
|---------------------------------------|-------------------------|-------------|------------------------------|
| Deposits | \$ 50,818 | \$ (40,000) | \$ 10,818 |
| Net assets without donor restrictions | \$ 1,631,151 | \$ (40,000) | \$ 1,591,151 |
| Rent expense | \$ 697,434 | \$ 40,000 | \$ 737,434 |

**ENCORE LEARNING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

14. 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, 2021**

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Federal Expenditures |
|--|----------------|---|----------------------------------|
| U.S. Department of Agriculture | | | |
| Passed Through LA Department of Education | | | |
| Child Nutrition Cluster | | | |
| Child and Adult Care Food Program | 10.558 | N/A | \$ 61,011 |
| Summer Food Service Program for Children | 10.559 | N/A | 190,791 |
| Total Child Nutrition Cluster | | | 251,802 |
| Commodity Supplemental Food Program | 10.565 | N/A | 8,310 |
| Total Passed Through LA Department of Education | | | 260,112 |
| Total U.S. Department of Agriculture | | | 260,112 |
| U.S. Department of Education | | | |
| Passed Through LA Department of Education | | | |
| Education Stabilization Fund: | | | |
| Governor's Emergency Education Relief Fund | 84.425C | N/A | 57,185 |
| Elementary and Secondary School Emergency Relief Fund | 84.425D | N/A | 360,444 |
| Total Education Stabilization Fund | | | 417,629 |
| Special Education (IDEA) Cluster | | | |
| Special Education Grants to States | 84.027 | N/A | 162,292 |
| Special Education Preschool Grants | 84.173 | N/A | 2,253 |
| Total Special Education (IDEA) Cluster | | | 164,545 |
| Title 1 Cluster | | | |
| Title 1 Grants to Local Educational Agencies | 84.010 | N/A | 455,908 |
| Redesign 1003a | 84.010A | N/A | 88,162 |
| Total Title 1 Cluster | | | 544,070 |
| Total Passed Through LA Department of Education | | | 1,126,244 |
| Total U.S. Department of Education | | | 1,126,244 |
| Total Expenditures of Federal Awards | | | \$ 1,386,356 |

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, 2021

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, 2021. 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

The School has elected not to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

**ENCORE LEARNING
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE SCHOOL LEADER
FOR THE YEAR ENDED JUNE 30, 2021**

| School Leader | <u>T. Smith</u> |
|-----------------------|-------------------|
| Salary | \$ 137,500 |
| Benefits - insurance | 4,943 |
| Benefits - retirement | 6,875 |
| Reimbursement | 669 |
| | <u>\$ 149,987</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, 2021, and the related statement 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 14, 2021.

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) to determine the 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 the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. 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.

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*.

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.

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

Daigrepoint & Brian, APAC
Baton Rouge, LA

December 14, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL

To the Board of Directors
Encore Learning
New Orleans, LA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control Over Compliance

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

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

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

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

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.



Daigrepont & Brian, APAC
Baton Rouge, LA

December 14, 2021

**ENCORE LEARNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

We have audited the financial statements of Encore Learning, as of June 30, 2021, and for the year then ended, and have issued our report thereon dated December 14, 2021. 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, 2021 resulted in an unmodified opinion.

Summary of Auditors' Reports

A. Identification of Major Programs

| | |
|-------------------|------------------------------------|
| CFDA Number(s) | Name of Federal Program or Cluster |
| 84.425C & 84.425D | 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 | _____ | No <u> X </u> |
| Significant Deficiencies | Yes | _____ | No <u> X </u> |
| Compliance with Provisions of Laws, Regulation, Contracts or Grant Agreements | | | |
| | Yes | _____ | No <u> X </u> |

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

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

Type of Opinion on Compliance for Each Major Program
 Education Stabilization Fund Unmodified

Are there findings required to be reported in accordance with the Uniform Guidance Yes _____ No X

Findings - Financial Statement Audit

There are no findings for the year ended June 30, 2021.

Questioned Costs

There are no questioned costs for the year ended June 30, 2021.

**ENCORE LEARNING
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2021; 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 14, 2021

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, 2021

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, 2021**

| | Column A | Column B |
|---|---------------------|----------------------------|
| <u>General Fund Instructional and Equipment Expenditures</u> | | |
| General Fund Instructional Expenditures: | | |
| Teacher and Student Interaction Activities: | | |
| Classroom Teacher Salaries | \$ 2,191,185 | |
| Other Instructional Staff Activities | 842,371 | |
| Instructional Staff Employee Benefits | 608,651 | |
| Purchased Professional and Technical Services | 300,210 | |
| Instructional Materials and Supplies | 325,849 | |
| Instructional Equipment | <u>171,287</u> | |
| Total Teacher and Student Interaction Activities | | 4,439,553 |
| Pupil Support Activities | | |
| Less: Equipment for Pupil Support Activities | <u>344,055</u> | |
| Net Pupil Support Activities | | 344,055 |
| Instructional Staff Services | | |
| Less: Equipment for Instructional Staff Services | <u>179,664</u> | |
| Net Instructional Staff Services | | 179,664 |
| School Administration | | |
| Less: Equipment for School Administration | <u>2,538,084</u> | |
| Net School Administration | | <u>2,538,084</u> |
| Total General Fund Instructional Expenditures | | <u><u>\$ 7,501,356</u></u> |
| Total General Fund Equipment Expenditures | | <u><u>\$ 3,233,090</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, 2020**

| School Type | Class Size Range | | | | | | | |
|----------------------------------|------------------|--------|---------|--------|---------|--------|---------|--------|
| | 1 - 20 | | 21 - 26 | | 27 - 33 | | 34+ | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| Elementary | 45% | 86 | 38% | 72 | 17% | 32 | 0% | - |
| Elementary Activity Classes | 100% | 16 | 0% | - | 0% | - | 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.