

Albert Einstein
Academies
Charter #0773

Audit Report
June 30, 2022



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Albert Einstein Academies
Financial Statements and Supplemental Information
Year Ended June 30, 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT **2**

FINANCIAL STATEMENTS **4**

Consolidated Statement of Financial Position 4

Consolidated Statement of Activities..... 5

Consolidated Statement of Functional Expenses 6

Consolidated Statement of Cash Flows 7

Notes to the Consolidated Financial Statements 8

SUPPLEMENTARY INFORMATION **22**

Consolidating Statement of Financial Position 22

Consolidating Statement of Activities 23

Consolidating Statement of Functional Expenses..... 24

LEA Organization Structure 25

Schedule of Average Daily Attendance 26

Schedule of Instructional Time 27

Schedule of Financial Trends & Analysis..... 28

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements..... 29

Notes to Supplementary Information..... 30

Schedule of Expenditures of Federal Awards 32

Notes to the Schedule of Expenditures of Federal Awards..... 33

OTHER INDEPENDENT AUDITOR’S REPORTS **34**

Independent Auditor’s 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 34

Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal
Control Over Compliance Required by the Uniform Guidance 36

Independent Auditor’s Report on State Compliance and on Internal Control over State Compliance..... 38

AUDITOR’S RESULTS, FINDINGS & RECOMMENDATIONS **41**

Schedule of Auditor’s Results..... 41

Schedule of Findings and Questioned Costs..... 42

Schedule of Prior Year Audit Findings..... 43

Independent Auditor's Report

To the Board of Directors of
Albert Einstein Academies

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Albert Einstein Academies (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Albert Einstein Academies as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Albert Einstein Academies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Albert Einstein Academies' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Albert Einstein Academies' 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 Albert Einstein Academies' ability to continue as a going concern for a reasonable period of time.

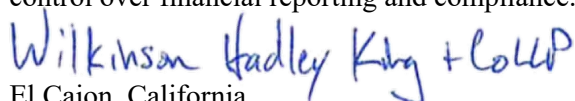
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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. The additional accompanying supplementary information, as identified in the Table of Contents and as required by the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and additional accompanying supplementary information, as identified in the Table of Contents, are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of Albert Einstein Academies' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Albert Einstein Academies' 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 Albert Einstein Academies' internal control over financial reporting and compliance.


El Cajon, California
January 31, 2023

Financial Statements

Albert Einstein Academies
Consolidated Statement of Financial Position
June 30, 2022

Assets

Cash and cash equivalents	\$ 5,569,868
Accounts receivable	2,773,103
Prepaid expenses	219,709
Restricted cash bond	2,002,422
Property and equipment, net	10,952,007
Total Assets	\$ 21,517,109

Liabilities and Net Assets

Liabilities

Accounts payable - vendors	\$ 318,493
Accounts payable - student groups	166,627
Accounts payable - grantor government	40,202
Accrued payroll liabilities	324,627
Unearned revenue	181,610
Deferred rent	308,032
Loan payable	473,117
Bonds and notes payable, net of discount and costs	15,753,095
Swap agreements	284,328
Total Liabilities	17,850,131

Net Assets

Without donor restrictions	
Undesignated	8,430,718
Invested in property and equipment, net of related debt	(4,801,088)
	3,629,630

With donor restrictions

Restricted for state programs	37,348
	37,348

Total Net Assets	3,666,978
Total Liabilities and Net Assets	\$ 21,517,109

The accompanying notes are an integral part of this statement.

Albert Einstein Academies
Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 2,464,393	\$ -	\$ 2,464,393
Education protection account state aid	264,916	-	264,916
Transfers in lieu of property taxes	9,761,873	-	9,761,873
Total LCFF sources	<u>12,491,182</u>	<u>-</u>	<u>12,491,182</u>
Federal contracts and grants	-	2,426,663	2,426,663
State contracts and grants	523,386	1,857,267	2,380,653
Local contracts and grants	218,222	-	218,222
Donations	53,953	-	53,953
Interest income	63,041	-	63,041
Net assets released from restriction -			
Grant restrictions satisfied	4,246,582	(4,246,582)	-
Total revenue, support, and gains	<u>17,596,366</u>	<u>37,348</u>	<u>17,633,714</u>
Expenses and Losses			
Program services expense	13,497,711	-	13,497,711
Supporting services expense	5,221,718	-	5,221,718
Fundraising expense	33,226	-	33,226
Total expenses and losses	<u>18,752,655</u>	<u>-</u>	<u>18,752,655</u>
Change in Net Assets	(1,156,289)	37,348	(1,118,941)
Net Assets, Beginning of Year	<u>4,785,919</u>	<u>-</u>	<u>4,785,919</u>
Net Assets, End of Year	<u>\$ 3,629,630</u>	<u>\$ 37,348</u>	<u>\$ 3,666,978</u>

The accompanying notes are an integral part of this statement.

Albert Einstein Academies
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Supporting Services		Total
	Educational Programs	Management and General	Fundraising and Development	
Salaries and wages	\$ 7,564,391	\$ 1,772,618	\$ -	\$ 9,337,009
Pension expense	1,309,784	342,467	-	1,652,251
Other employee benefits	1,118,539	119,517	-	1,238,056
Payroll taxes	251,180	74,709	-	325,889
Fees for services:				
Management	40,775	171,855	-	212,630
Legal	-	38,094	-	38,094
Audit	-	15,075	-	15,075
Professional consulting and instructional services	177,924	198,421	-	376,345
Other fees - District oversight	-	271,612	-	271,612
Other fees - Banking and service charges	-	30,175	-	30,175
Advertising and promotion	-	43,414	-	43,414
Amortization	434,670	-	-	434,670
Information technology	12,284	71,667	-	83,951
Occupancy	591,796	353,175	-	944,971
Operations and housekeeping	-	127,418	-	127,418
Travel and conferences	81,502	-	-	81,502
Interest	-	1,268,224	-	1,268,224
Depreciation	431,270	-	-	431,270
Insurance	-	108,747	-	108,747
Other expenses:				
Books and supplies	692,401	151,479	-	843,880
Equipment rental and repair	139,302	-	-	139,302
Dues and memberships	-	63,051	-	63,051
Special education	270,611	-	-	270,611
Noncapitalized equipment	170,711	-	-	170,711
Miscellaneous	210,571	-	33,226	243,797
Total expenses by function	<u>13,497,711</u>	<u>5,221,718</u>	<u>33,226</u>	<u>18,752,655</u>

The accompanying notes are an integral part of this statement.

Albert Einstein Academies
Consolidated Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities	
Receipts from federal, state, and local contracts and grants	\$ 8,446,846
Receipts from property taxes	9,761,873
Receipts from operating interest	63,041
Other receipts	53,953
Payments to salaries, benefits and payroll taxes	(12,483,086)
Payments to vendors	(4,864,764)
Operating interest	(1,268,224)
Net Cash From Operating Activities	<u><u>(290,361)</u></u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(1,261,001)
Change in investment funds	310,909
Net Cash Used for Investing Activities	<u><u>(950,092)</u></u>
Cash Flows from Financing Activities	
Change in bonds and notes payable	1,308,942
Change in swap agreements	284,328
Net Cash Used for Financing Activities	<u><u>1,593,270</u></u>
Net Change in Cash and Cash Equivalents	352,817
Cash and Cash Equivalents, Beginning of Year	<u>5,217,051</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,569,868</u></u>
Reconciliation of Change in Net Assets to Net Cash	
Used For Operating Activities	
Change in net assets	\$ (1,118,941)
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	431,269
Amortization	434,670
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	554,954
Prepaid expenses	(10,652)
Increase (Decrease) in liabilities	
Accounts payable - vendors	(1,230,545)
Accounts payable - student groups	166,627
Accounts payable - grantor government	40,202
Accrued payroll liabilities	70,119
Unearned revenue	96,843
Deferred rent	275,093
Net Cash From Operating Activities	<u><u>\$ (290,361)</u></u>

The accompanying notes are an integral part of this statement.

Albert Einstein Academies

Notes to the Consolidated Financial Statements

Year Ended June 30, 2022

A. Principal Activity and Summary of Significant Accounting Policies

Organization Structure

Albert Einstein Academies (The Organization) is a non-profit public benefit corporation. The Organization operates one charter school (The School) under the authorizing agency of the San Diego Unified School District. Albert Einstein Academies is in its fourth cycle of five-year charter renewal process and is authorized to operate through June 30, 2022.

The Organization commenced operations during the 2002-2003 fiscal year (originally just for Albert Einstein Academy Charter Elementary School, but the school merged into one after June 30, 2021) and during the 2006-2007 fiscal year for Albert Einstein Academy Charter Academies, and currently serves students in grades kindergarten through grade 8. During the combination of the schools Albert Einstein Academies was also granted permission to expand operations into grades 9-12.

The mission of the Organization is to enable students to become competent contributing members of society equipped with reading, writing, math, technology, and problem-solving skills necessary for success in a rapidly changing world.

Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The Organization uses the accrual basis of accounting, under which revenues are recognized when they are earned, and expenditures are recognized in the accounting period in which the liability is incurred.

Basis of Consolidation

The accompanying financial statements include the accounts of Albert Einstein Academies (the Organization) and the accounts of 458 26th Street Holdings LLC (the LLC), a California limited liability company, of which the Schools' are the sole members and a related organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Accounts receivables consist primarily of noninterest-bearing amounts due to the School for federal, state, and local grants and contracts receivable. The amounts in accounts receivable are considered fully collectable and as such there has not been an allowance for uncollectable accounts or discount established for the Organization.

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Property and Equipment

The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

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

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

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

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Revenue and Revenue Recognition

The Organization recognizes revenue from sales when the products are transferred, and services are provided. The Organization records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Some federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. In such cases the revenue is recognized once all performance requirements have been met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and developing activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Advertising

Advertising costs are expensed as incurred and approximated \$43,414 during the year ended June 30, 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

The Organization is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The Organization may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2022, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows provisions of uncertain tax positions as addressed in ASC 958. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2022.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from government agencies.

LCFF Revenues and Payments in Lieu of Property Taxes

The Organization's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the organization, which is funding in lieu of property taxes, and education protection account funds paid by the state under Proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 70.84% of the organization's revenue.

The Organization is not at risk of losing these funding sources, as long as the schools maintain a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

New Accounting Guidance

The Financial Accounting Standards Board (FASB) issues accounting standards updates and additional guidance for not-for-profit and for-profit agencies to establish consistent accounting across all organizations in the United States. The following table represents items that have been issued by FASB that became effective in the 2021-22 fiscal year:

Description	Date Issued
FASB Accounting Standards Update 2017-12 - <i>Derivatives and Hedging (Topic 815)</i>	Aug-17
FASB Accounting Standards Update 2018-10 - <i>Codification Improvements to Topic 842 Leases</i>	Jul-18
FASB Accounting Standards Update 2018-15 - <i>Intangibles, Goodwill and Other, Internal Use Software (Topic 350-40)</i>	Aug-18
FASB Accounting Standards Update 2018-16 - <i>Derivatives and Hedging (Topic 815)</i>	Oct-18
FASB Accounting Standards Update 2018-17 - <i>Consolidation (Topic 810)</i>	Oct-18
FASB Accounting Standards Update 2018-18 - <i>Collaborative Arrangements (Topic 808)</i>	Nov-18
FASB Accounting Standards Update 2019-02 - <i>Entertainment Film Costs (Topic 926-20)</i>	Mar-19
FASB Accounting Standards Update 2019-10 - <i>Derivatives and Hedging (Topic 815)</i>	Nov-19
FASB Accounting Standards Update 2020-07 - <i>Not-For-Profit Entities (Topic 958)</i>	Sep-20

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The Organization has adopted provisions of effective Accounting Standards Updates. The implementation of these items did not result in a change to financial presentation for the Organization.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 31, 2023, the date the financial statements were available to be issued.

B. Liquidity and Availability

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Albert Einstein Academies	458 26th Street Holdings LLC	Total
Cash and cash equivalents	\$ 5,569,868	\$ -	\$ 5,569,868
Accounts receivable	2,773,103	-	2,773,103
Prepaid expenses	219,709	-	219,709
	\$ 8,562,680	\$ -	\$ 8,562,680

C. Fair Value Measurements and Disclosures

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Level 3: Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset, or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization’s assessment of the quality, risk, or liquidity profile of the asset or liability.

The Organization has funds at the San Diego County Treasury which invests funds in various markets such as CDs, money market, and U.S. government obligations. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2022:

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments:				
Cash in county treasury	\$ 4,070,140	\$ -	\$ 4,070,140	\$ -

D. Cash and Cash Equivalents

The Organization’s cash and cash equivalents on June 30, 2022, consisted of the following:

	Albert Einstein Academies	458 26th Street Holdings LLC	Total
Cash in county treasury	\$ 4,070,140	\$ -	\$ 4,070,140
Cash in bank accounts	1,499,728	-	1,499,728
Total cash and cash equivalents	\$ 5,569,868	\$ -	\$ 5,569,868

Cash in County Treasury

The Organization is a voluntary participant and therefore maintains a portion of its cash in the San Diego County Treasury as part of the common investment pool (\$4,070,140 as of June 30, 2022). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, banker’s acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the Organization’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Organization pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitation.

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Cash in Bank

The remainder of the Organization's cash (\$1,499,728 as of June 30, 2022) is held in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2022, the Organization held \$1,494,965 in excess of the FDIC insured amounts. The Organization reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

E. Accounts Receivable

As of June 30, 2022, the Organization's accounts receivable consisted of the following:

	Albert Einstein Elementary	458 26th Street Holdings LLC	Total
	<u> </u>	<u> </u>	<u> </u>
Federal Government			
Special Education	\$ 107,752	\$ -	\$ 107,752
Child Nutrition	74,120	-	74,120
ESSER/GEER	1,072,879	-	1,072,879
Title I	63,770	-	63,770
Other Federal Programs	7,500	-	7,500
State Government			
Lottery Funding	219,176	-	219,176
SB740	149,985	-	149,985
Child Nutrition	4,301	-	4,301
Special Education	69,651	-	69,651
Expanded Learning Opportunities	201,437	-	201,437
Other State Programs	66,699	-	66,699
Local Government			
Property Tax Payments	695,579	-	695,579
Other Local Sources			
Interest	3,444	-	3,444
Other Local Sources	36,810	-	36,810
Total Accounts Receivable	<u>\$ 2,773,103</u>	<u>\$ -</u>	<u>\$ 2,773,103</u>

F. Prepaid Expenses

As of June 30, 2022, the Organization's prepaid expenses consisted of the following:

	Albert Einstein Elementary	458 26th Street Holdings LLC	Total
	<u> </u>	<u> </u>	<u> </u>
Prepaid vendors	\$ 140,130	\$ -	\$ 140,130
Prepaid insurance	79,579	-	79,579
Total Prepaid Expenses	<u>\$ 219,709</u>	<u>\$ -</u>	<u>\$ 219,709</u>

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

G. Property and Equipment

Property and equipment for Albert Einstein Academies consisted of the following at June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Buildings and Improvements	620,374	-	-	620,374
Equipment, Furniture, and Fixtures	295,451	-	-	295,451
Total Depreciable Capital Assets	915,825	-	-	915,825
Total Capital Assets	915,825	-	-	915,825
Less Accumulated Depreciation	(276,187)	(72,973)	-	(349,160)
Capital Assets, Net	<u>\$ 639,638</u>	<u>\$ (72,973)</u>	<u>\$ -</u>	<u>\$ 566,665</u>

Property and equipment for 458 26th Street Holdings LLC consisted of the following at June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 1,315,059	\$ -	\$ -	\$ 1,315,059
Work in Progress	14,681	-	-	14,681
Total Non-Depreciable Capital Assets	1,329,740	-	-	1,329,740
Depreciable Capital Assets				
Buildings and Improvements	10,660,980	-	-	10,660,980
Equipment, Furniture, and Fixtures	-	1,261,002	-	1,261,002
Total Depreciable Capital Assets	10,660,980	1,261,002	-	11,921,982
Total Capital Assets	11,990,720	1,261,002	-	13,251,722
Less Accumulated Depreciation	(2,508,083)	(358,297)	-	(2,866,380)
Capital Assets, Net	<u>\$ 9,482,637</u>	<u>\$ 902,705</u>	<u>\$ -</u>	<u>\$ 10,385,342</u>

Combined property and equipment consisted of the following at June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 1,315,059	\$ -	\$ -	\$ 1,315,059
Work in Progress	14,681	-	-	14,681
Total Non-Depreciable Capital Assets	1,329,740	-	-	1,329,740
Depreciable Capital Assets				
Buildings and Improvements	11,281,354	-	-	11,281,354
Equipment, Furniture, and Fixtures	295,451	1,261,002	-	1,556,453
Total Depreciable Capital Assets	11,576,805	1,261,002	-	12,837,807
Total Capital Assets	12,906,545	1,261,002	-	14,167,547
Less Accumulated Depreciation	(2,784,270)	(431,270)	-	(3,215,540)
Capital Assets, Net	<u>\$ 10,122,275</u>	<u>\$ 829,732</u>	<u>\$ -</u>	<u>\$ 10,952,007</u>

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

H. Unearned Revenue

At year end Albert Einstein Academy Charter Academies had performance obligations remaining to expend funds for multiple programs. As such unexpended cash received is reflected in unearned revenue.

The following table provides information about significant changes in unearned revenue for the year ended June 30, 2022:

Unearned Revenue, beginning of period	\$ 84,767
Increases in unearned revenue due to cash received during the period	181,610
Decreases in unearned revenue due to performance obligations met during the period	<u>(84,767)</u>
Unearned Revenue, end of period	<u>\$ 181,610</u>
Expanded Learning Opportunity Grant	\$ 74,918
Food Service Training	6,519
Educator Effectiveness	70,312
Title II	4,861
Kitchen Infrastructure	<u>25,000</u>
Total Unearned Revenue	<u>\$ 181,610</u>

I. Bonds and Notes Payable

On December 3, 2014, the LLC issued \$15,140,000 Series 2014A and \$465,000 Series 2014B Bonds (Bonds) for the financing, acquisition, and renovations to certain educational facilities. The Series 2014A Bonds mature in the following tranches: \$1,605,000 due August 1, 2023 with an interest rate of 6% per annum; \$4,580,000 due August 1, 2033 with an interest rate of 6.75% per annum; and \$8,955,000 due August 1, 2043 with an interest rate of 7.125% per annum. The Series 2014B Bonds of \$465,000 matured on August 1, 2019 with an interest rate of 7% per annum. The Bonds are secured by the underlying educational facilities. The Bonds contained a discount when issued of \$284,791, which is amortized as interest expense over the life of the Bonds.

On September 23, 2021, the LLC issued \$16,285,000 in Charter School Revenue Refunding Bonds (Bonds) for the refinancing of previous facilities bonds. The coupon rate varies from 3.75% to 4.50%. The Bonds are secured by the underlying educational facilities. The Bonds contained a cost of issuance, underwriters discount and insurance of \$561,074, which is amortized as interest expense over the life of the Bonds.

Bonds payable consist of the following at June 30, 2022:

Principal amount	\$ 16,285,000
Less debt issuance costs and underwriters discount	<u>(531,905)</u>
	<u>\$ 15,753,095</u>

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	385,000	675,169	1,060,169
2024	500,000	658,575	1,158,575
2025	515,000	639,544	1,154,544
2026	540,000	619,763	1,159,763
2027	555,000	599,231	1,154,231
2028-2032	3,120,000	2,660,063	5,780,063
2033-2037	3,790,000	1,961,100	5,751,100
2038-2042	4,700,000	1,035,030	5,735,030
2043-2044	2,180,000	99,224	2,279,224
	<u>\$ 16,285,000</u>	<u>\$ 8,947,698</u>	<u>\$ 25,232,698</u>

J. Operating Leases

Albert Einstein Academy Charter Academies entered into a lease agreement with the LLC for the use of school facilities through July 2043. The payment for the lease is paid solely by Albert Einstein Academy Charter Academies. The building is owned by the LLC and as such, the leases have not been recorded on the statement of financial position for the Academies. Future minimum lease payments are as follows:

Year Ended June 30	Operating Leases
2023	1,284,094
2024	1,282,194
2025	1,284,581
2026	1,280,281
2027	1,284,631
2028-2032	5,235,442
2033-2037	6,412,138
2038-2042	6,414,406
2043	106,679
Total minimum lease payments	<u>\$ 24,584,446</u>

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

K. Employee Retirement System

Qualified employees are covered under multiple-employer defined benefit pension plans by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If the Organization choose to stop participating in some of its multi-employer plans, the Organization may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The Organization's participation in these plans for the fiscal year ended June 30, 2022, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2021, 2020 and 2019 is for the plan's year-end at June 30, 2022, 2021 and 2020, respectively. The zone status is based on information that the Organization received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Period to Period Comparability:

Albert Einstein Academies decreased in CalSTRS contributions from 2020 to 2021 by 2.67% followed by an increase in 2022 of 11.91%. Albert Einstein Academies increased in CalPERS contributions from 2020 to 2021 by 15.84% followed by an additional increase in 2022 of 31.82%. The increase in CalSTRS in 2022 due to the increase of participants in the plan for the school year. The increases in CalPERS in 2022 was in large due to the rising contribution rates along with an increase in revenues that cause salaries to also rise, increasing contributions further.

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status Pending/ Implemented
		2022	2021	2020	
CalSTRS	37101	Yellow	Yellow	Yellow	No
CalPERS	7354575882	Yellow	Yellow	Yellow	No
Pension Fund	2022	Contributions		Number of Employees	Surcharge Imposed
		2021	2020		
CalSTRS	\$ 1,132,424	\$ 1,011,863	\$ 1,039,566	98	No
CalPERS	519,826	394,349	349,738	54	No
Total	\$ 1,652,250	\$ 1,406,212	\$ 1,389,304	152	

CalSTRS:

The Organization contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. Required contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level of percentage of payroll using the entry age normal actuarial cost method. CalSTRS also uses the level of percentage of payroll method to calculate the amortization of any unfunded liability. Copies of the STRS annual report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

For the fiscal year ended June 30, 2022, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 16.92% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2022, the State contributed \$647,091 (10.858% of certificated salaries) on behalf of the Organization.

CalPERS:

The Organization contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Active plan members are required to contribute 7% of their salary and the Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021-22 was 22.91% of classified salaries. The Organization made contributions as noted above.

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

L. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective over the next few fiscal years:

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2016-02 - <i>Leases (Topic 842)</i>	Feb-16	2022-23
FASB Accounting Standards Update 2016-13 - <i>Credit Losses (Topic 326)</i>	Jun-16	2023-24
FASB Accounting Standards Update 2017-04 - <i>Intangibles, Goodwill & Other (Topic 350)</i>	Jan-17	2023-24
FASB Accounting Standards Update 2018-01 - <i>Leases (Topic 842)</i>	Jan-18	2022-23
FASB Accounting Standards Update 2018-11 - <i>Leases Targeted Improvements (Topic 842)</i>	Jul-18	2022-23
FASB Accounting Standards Update 2018-12 - <i>Financial Services Insurance (Topic 944)</i>	Aug-18	2024-25
FASB Accounting Standards Update 2018-14 - <i>Compensation, Retirement Benefits - Defined Benefit Plans (Topic 715-20)</i>	Aug-18	2022-23
FASB Accounting Standards Update 2018-19 - <i>Codification Improvements for Credit Losses (Topic 326)</i>	Nov-18	2023-24
FASB Accounting Standards Update 2018-20 - <i>Leases (Topic 842)</i>	Dec-18	2022-23
FASB Accounting Standards Update 2019-01 - <i>Leases (Topic 842)</i>	Mar-19	2022-23
FASB Accounting Standards Update 2019-09 - <i>Financial Services, Insurance (Topic 944)</i>	Nov-19	2024-25
FASB Accounting Standards Update 2019-10 - <i>Financial Instruments, Credit Losses</i>	Nov-19	2023-24
FASB Accounting Standards Update 2019-12 - <i>Income Taxes (Topic 740)</i>	Dec-19	2022-23
FASB Accounting Standards Update 2020-01 - <i>Investments (Topics 321, 323, and 815)</i>	Jan-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Revenue from Contracts with Customers (Topic 606)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Leases (Topic 842)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-06 - <i>Debt (Topic 470-20)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-06 - <i>Derivatives and Hedging (Topic 815-40)</i>	Aug-20	2024-25

Albert Einstein Academies
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

FASB Accounting Standards Update 2020-08 - <i>Codification Improvements for Receivables (Topic 310-20)</i>	Oct-20	2022-23
FASB Accounting Standards Update 2020-10 - <i>Codification Improvements</i>	Nov-20	2025-26
FASB Accounting Standards Update 2021-02 - <i>Franchisors Revenue (Topic 952-606)</i>	Jan-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Earnings Per Share (Topic 260)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Debt Modifications and Extinguishments (Topic 470-50)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Stock Compensation (Topic 718)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Derivatives and Hedging (Topic 815-40)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-05 - <i>Leases (Topic 842)</i>	Jul-21	2022-23
FASB Accounting Standards Update 2021-07 - <i>Stock Compensation (Topic 718)</i>	Oct-21	2022-23
FASB Accounting Standards Update 2021-08 - <i>Business Combinations (Topic 805)</i>	Oct-21	2024-25
FASB Accounting Standards Update 2021-09 - <i>Leases (Topic 842)</i>	Nov-21	2022-23
FASB Accounting Standards Update 2021-10 - <i>Government Assistance (Topic 832)</i>	Nov-21	2022-23
FASB Accounting Standards Update 2022-01 - <i>Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method</i>	Mar-22	2024-25
FASB Accounting Standards Update 2022-02 - <i>Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures</i>	Mar-22	2023-24
FASB Accounting Standards Update 2022-03 - <i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i>	Jun-22	2025-26
FASB Accounting Standards Update 2022-04 - <i>Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations</i>	Sep-22	2023-24

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the future fiscal years are not expected to impact the financial accounting or presentation for the Organization.

Supplementary Information

Albert Einstein Academies
Consolidating Statement of Financial Position
June 30, 2022

	Albert Einstein Academies	458 26th Street Holdings LLC	Elimination	Total
Assets				
Cash and cash equivalents	\$ 5,569,868	\$ -	\$ -	\$ 5,569,868
Accounts receivable	2,773,103	-	-	2,773,103
Prepaid expenses	219,709	-	-	219,709
Restricted cash bond related	-	2,002,422	-	2,002,422
Property and equipment, net	566,665	10,385,342	-	10,952,007
Total Assets	<u>\$ 9,129,345</u>	<u>\$ 12,387,764</u>	<u>\$ -</u>	<u>\$ 21,517,109</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable - vendors	\$ 318,493	\$ -	\$ -	\$ 318,493
Accounts payable - student groups	166,627	-	-	166,627
Accounts payable - grantor government	40,202	-	-	40,202
Accrued payroll liabilities	324,627	-	-	324,627
Unearned revenue	181,610	-	-	181,610
Deferred rent	304,512	3,520	-	308,032
Loan payable	-	473,117	-	473,117
Bonds and notes payable, net of discount and costs	-	15,753,095	-	15,753,095
Swap agreements	-	284,328	-	284,328
Total Liabilities	<u>1,336,071</u>	<u>16,514,060</u>	<u>-</u>	<u>17,850,131</u>
Net Assets				
Without donor restrictions				
Undesignated	7,189,261	1,241,457	-	8,430,718
Invested in property and equipment, net of related debt	566,665	(5,367,753)	-	(4,801,088)
	<u>7,755,926</u>	<u>(4,126,296)</u>	<u>-</u>	<u>3,629,630</u>
With donor restrictions				
Restricted for state programs	37,348	-	-	37,348
	<u>37,348</u>	<u>-</u>	<u>-</u>	<u>37,348</u>
Total Net Assets	<u>7,793,274</u>	<u>(4,126,296)</u>	<u>-</u>	<u>3,666,978</u>
Total Liabilities and Net Assets	<u>\$ 9,129,345</u>	<u>\$ 12,387,764</u>	<u>\$ -</u>	<u>\$ 21,517,109</u>

See Accompanying Notes to Supplementary Information

Albert Einstein Academies
Consolidating Statement of Activities
June 30, 2022

	Albert Einstein Academies		458 26th Street Holdings LLC	Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	
Revenue, Support, and Gains					
Local Control Funding Formula (LCFF) sources					
State aid	\$ 2,464,393	\$ -	\$ -	\$ -	\$ 2,464,393
Education protection account state aid	264,916	-	-	-	264,916
Transfers in lieu of property taxes	9,761,873	-	-	-	9,761,873
Total LCFF sources	<u>12,491,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,491,182</u>
Federal contracts and grants	-	2,426,663	-	-	2,426,663
State contracts and grants	523,386	1,857,267	-	-	2,380,653
Local contracts and grants	218,222	-	-	-	218,222
Donations	53,953	-	-	-	53,953
Rental income	-	-	1,187,832	(1,187,832)	-
Interest income	45,107	-	17,934	-	63,041
Net assets released from restriction -					
Grant restrictions satisfied	4,246,582	(4,246,582)	-	-	-
Total revenue, support, and gains	<u>17,578,432</u>	<u>37,348</u>	<u>1,205,766</u>	<u>(1,187,832)</u>	<u>17,633,714</u>
Expenses and Losses					
Program services expense	13,408,737	-	1,276,806	(1,187,832)	13,497,711
Supporting services expense	3,953,494	-	1,268,224	-	5,221,718
Fundraising expense	33,226	-	-	-	33,226
Total expenses and losses	<u>17,395,457</u>	<u>-</u>	<u>2,545,030</u>	<u>(1,187,832)</u>	<u>18,752,655</u>
Change in Net Assets	182,975	37,348	(1,339,264)	-	(1,118,941)
Net Assets, Beginning of Year	7,572,951	-	(2,787,032)	-	4,785,919
Net Assets, End of Year	<u>\$ 7,755,926</u>	<u>\$ 37,348</u>	<u>\$ (4,126,296)</u>	<u>\$ -</u>	<u>\$ 3,666,978</u>

See Accompanying Notes to Supplementary Information

Albert Einstein Academies
Consolidating Statement of Functional Expenses
June 30, 2022

	Albert Einstein Academies			458 26th Street Holdings LLC			Elimination	Total
	Program Services	Supporting Services		Program Services	Supporting Services			
	Educational Programs	Management and General	Fundraising	Educational Programs	Management and General			
Salaries and wages	\$ 7,564,391	\$ 1,772,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,337,009
Pension expense	1,309,784	342,467	-	-	-	-	-	1,652,251
Other employee benefits	1,118,539	119,517	-	-	-	-	-	1,238,056
Payroll taxes	251,180	74,709	-	-	-	-	-	325,889
Fees for services:								
Management	40,775	171,855	-	-	-	-	-	212,630
Legal	-	38,094	-	-	-	-	-	38,094
Audit	-	15,075	-	-	-	-	-	15,075
Professional consulting and instructional services	177,924	198,421	-	-	-	-	-	376,345
Other fees - District oversight	-	271,612	-	-	-	-	-	271,612
Other fees - Banking and service charges	-	30,175	-	-	-	-	-	30,175
Advertising and promotion	-	43,414	-	-	-	-	-	43,414
Amortization	-	-	-	434,670	-	-	-	434,670
Information technology	12,284	71,667	-	-	-	-	-	83,951
Occupancy	1,504,535	353,175	-	275,093	-	(1,187,832)	-	944,971
Operations and housekeeping	-	127,418	-	-	-	-	-	127,418
Travel and conferences	81,502	-	-	-	-	-	-	81,502
Interest	-	-	-	-	1,268,224	-	-	1,268,224
Depreciation	72,973	-	-	358,297	-	-	-	431,270
Insurance	-	108,747	-	-	-	-	-	108,747
Other expenses:								
Books and supplies	692,401	151,479	-	-	-	-	-	843,880
Equipment rental and repair	139,302	-	-	-	-	-	-	139,302
Dues and memberships	-	63,051	-	-	-	-	-	63,051
Special education	270,611	-	-	-	-	-	-	270,611
Student activities and transportation	170,711	-	-	-	-	-	-	170,711
Miscellaneous	1,825	-	33,226	208,746	-	-	-	243,797
Total expenses by function	<u>13,408,737</u>	<u>3,953,494</u>	<u>33,226</u>	<u>1,276,806</u>	<u>1,268,224</u>	<u>(1,187,832)</u>	<u>-</u>	<u>18,752,655</u>

See Accompanying Notes to Supplementary Information

Albert Einstein Academies

LEA Organization Structure

Year Ended June 30, 2022

Albert Einstein Academies (Charter #0773) is a grade K-8 charter school and was granted its charter renewal by the San Diego Unified School District, expiring June 30, 2022 pursuant to the terms of the Charter Schools Act of 1992, as amended. Schools were granted an extension during the Covid-19 pandemic for charter renewal. Albert Einstein Academies is also the sole member of 458 26th Street Holdings LLC.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Maria Ortega	President	Three Year Term Expires September 1, 2022
Richard Vernon Moore	Vice President	Three Year Term Expires November 12, 2022
Christopher Beesley	Treasurer	Three Year Term Expires September 1, 2022
Kristin Rebien	Secretary	Three Year Term Expires May 31, 2023
Christiana Gauger	Member	Three Year Term Expires November 12, 2022

ADMINISTRATION

David Sciarretta, Ed. D.
Superintendent

Albert Einstein Academies
Schedule of Average Daily Attendance
Year Ended June 30, 2022

	Second Period Report		Annual Report	
	Original 18AA7943	Revised N/A	Original FDFB76EA	Revised N/A
Classroom Based Attendance				
Grades K-3	513.30	N/A	512.59	N/A
Grades 4-6	416.17	N/A	414.75	N/A
Grades 7-8	389.79	N/A	390.27	N/A
Total Classroom Based Attendance	1,319.26	N/A	1,317.61	N/A
Total ADA	1,319.26	N/A	1,317.61	N/A

N/A – There were no audit findings which resulted in revision to the ADA.

Albert Einstein Academies

Schedule of Instructional Time

Year Ended June 30, 2022

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days	Total Instructional Days	Status
Transitional Kindergarten	36,000	57,180	0	57,180	178	0	178	Complied
Kindergarten	36,000	57,180	0	57,180	178	0	178	Complied
1st Grade	50,400	56,780	0	56,780	178	0	178	Complied
2nd Grade	50,400	56,780	0	56,780	178	0	178	Complied
3rd Grade	50,400	57,240	0	57,240	178	0	178	Complied
4th Grade	54,000	58,560	0	58,560	178	0	178	Complied
5th Grade	54,000	58,560	0	58,560	178	0	178	Complied
6th Grade	54,000	63,930	0	63,930	178	0	178	Complied
7th Grade	54,000	64,194	0	64,194	178	0	178	Complied
8th Grade	54,000	64,590	0	64,590	178	0	178	Complied

See Accompanying Notes to Supplementary Information

Albert Einstein Academies
Schedule of Financial Trends & Analysis
Year Ended June 30, 2022

	Budget 2023	2022	2021	2020
Revenues	\$20,088,002	\$17,615,780	\$17,378,873	\$15,308,516
Expenses	20,160,495	17,395,457	16,145,494	14,828,260
Change in Net Assets	<u>(72,493)</u>	<u>220,323</u>	<u>1,233,379</u>	<u>480,256</u>
Ending Net Assets	<u>\$ 7,720,781</u>	<u>\$ 7,793,274</u>	<u>\$ 7,572,951</u>	<u>\$ 6,339,572</u>
Unrestricted Net Assets	<u>\$ 7,699,670</u>	<u>\$ 7,755,926</u>	<u>\$ 7,572,951</u>	<u>\$ 6,302,223</u>
Unrestricted net assets as a percentage of total expenses	<u>38.19%</u>	<u>44.59%</u>	<u>46.90%</u>	<u>42.50%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADA at P2	<u>1,359</u>	<u>1,320</u>	<u>N/A</u>	<u>1,365</u>

The Organization's ending net assets has increased by \$1,453,702 (22.93%) over the past two fiscal years. The significant increase is in large due to additional funding received as a result of the COVID-19 pandemic, as well as increased ADA over those fiscal years.

Average daily attendance (ADA) has decreased by 45 over the past two years. As a result of the COVID-19 pandemic there was no attendance reporting for the 2020-21 fiscal year.

The 2022-23 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to decrease by \$72,493 and ADA is projected to be 1,359 for the 2021-22 fiscal year.

Albert Einstein Academies

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements Year Ended June 30, 2022

June 30, 2022 annual financial alternative form net assets:	\$ 7,793,277
Adjustments and reclassifications:	
Rounding	<u>(3)</u>
Total adjustments and reclassifications	<u>(3)</u>
June 30, 2022 audited financial statements net assets:	<u>\$ 7,793,274</u>

Albert Einstein Academies
Notes to Supplementary Information
Year Ended June 30, 2022

A. Purpose of Schedules

Consolidating Statement of Financial Position

This schedule provides the information which combines into the Organization's overall statement of net position, with eliminations for activities between the LLC within the Organization.

Consolidating Statement of Activities

This schedule provides the information which combines into the Organization's overall statement of activities.

Combining Statement of Functional Expenses

This schedule provides the information by subdivision which combines into the Organization's overall statement of functional expenses.

LEA Organization Structure

This schedule provides information about the Organization's charter number, district of authorization, members of the governing board, and members of administration.

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

This schedule provides information regarding compliance with Education Code §47612.

Compliance with Education Code §47612 includes the following:

- 1) Charter schools may operate up to 5 tracks for attendance reporting.
- 2) Each track must be operated for a minimum of 175 days.
- 3) Each track must offer the required number of instructional minutes specified in Education Code §47612.5.
- 4) No track shall have less than 55% of its school days before April 15 each school year.

Compliance with Education Code §47612 involves offering a minimum number of annual instructional minutes as defined by grade level.

An LEA that closed due to a qualifying emergency in the 2021-22 fiscal year may submit a Form J-13A to avoid a penalty for not meeting the annual instructional day requirements. The School did not have an emergency closure and as such there are no credited days to account for on the Schedule of Instructional Time.

Albert Einstein Academies
Notes to Supplementary Information (Continued)
Year Ended June 30, 2022

Schedule of Financial Trends & Analysis

This schedule displays summarized information from the current year and two previous years, along with budget information for the upcoming year. The information from this schedule is used to evaluate whether there are any financial indicators the Organization will not be able to continue operations in the next fiscal year. Based upon the information presented, the Organization appears to have sufficient reserves to continue operations for the 2022-23 fiscal year.

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements

This schedule provides information necessary to reconcile between the audited financial statements and the financial data submitted to the sponsoring school district via the unaudited actual financial report.

ALBERT EINSTEIN ACADEMIES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Federal Expenditures
SPECIAL EDUCATION (IDEA) CLUSTER:				
U.S. Department of Education				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	\$ -	\$ 107,752
Total Special Education (IDEA) Cluster			<u>-</u>	<u>107,752</u>
CHILD NUTRITION CLUSTER:				
U.S. Department of Agriculture				
Passed through State Department of Education				
National School Lunch Program	10.553	13523	-	395,388
Total Child Nutrition Cluster			<u>-</u>	<u>395,388</u>
OTHER PROGRAMS				
U.S. Department of Education				
Passed through State Department of Education				
Title I	84.010	14329	\$ -	\$ 204,005
Title II - Teacher Quality	84.367	14341	-	32,573
Title IV	84.424	15396	-	10,000
CARES Act - Elementary & Secondary School Emergency Relief	84.425D	15536	-	9
CARES Act - Elementary & Secondary School Emergency Relief II	84.425D	15547	-	151,156
CARES Act - Elementary & Secondary School Emergency Relief III	84.425D	15559	-	479,390
Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425	15618	-	604,613
Expanded Learning Opportunities (ELO) Grant: GEER II	84.425	15919	-	3,053
Expanded Learning Opportunities (ELO) Grant: ESSER III Emergency Needs	84.425	15620	-	315,371
Expanded Learning Opportunities (ELO) Grant: ESSER III Learning Loss	84.425	15621	-	122,739
Total passed through State Department of Education			<u>-</u>	<u>1,922,909</u>
Total U.S. Department of Education			<u>-</u>	<u>2,030,661</u>
U.S. Department of Agriculture				
Passed through State Department of Education				
Pandemic EBT Local Admin Grant	10.649	15644	-	614
Total passed through State Department of Education			<u>-</u>	<u>614</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>396,002</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 2,426,663</u>

Albert Einstein Academies

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.

Summary of Significant Accounting Policies

The expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

The Organization did not charge indirect costs to federal programs.

Schoolwide Program

The Organization does not operate a “schoolwide program”.

Other Independent Auditor's Reports

Independent Auditor's 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*

To the Board of Directors of
Albert Einstein Academies

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 Albert Einstein Academies (a nonprofit 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 January 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Albert Einstein Academies' 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 Albert Einstein Academies' internal control. Accordingly, we do not express an opinion on the effectiveness of Albert Einstein Academies' 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Wilkinson Hadley King + LLP
El Cajon, California
January 31, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Albert Einstein Academies

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Albert Einstein Academies' 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 Albert Einstein Academies' major federal programs for the year ended June 30, 2022. Albert Einstein Academies' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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 Albert Einstein Academies 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 Albert Einstein Academies' 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 Albert Einstein Academies' 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 Albert Einstein Academies' 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 Albert Einstein Academies' 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 noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Albert Einstein Academies' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Albert Einstein Academies' 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 an opinion on the effectiveness of Albert Einstein Academies' 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.

Wilkinson Hadley King + LLP
El Cajon, California
January 31, 2023

Independent Auditor's Report on State Compliance and on Internal Control over
State Compliance

To the Board of Directors of
Albert Einstein Academies

Report on Compliance for Applicable State Programs

Opinion on Each Applicable State Program

We have audited Albert Einstein Academies' compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 applicable to the Charter School's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, Albert Einstein Academies complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its applicable state programs for the year ended June 30, 2022.

Basis for Opinion on Each Applicable State 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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 (the Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Albert Einstein Academies 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 applicable state program. Our audit does not provide a legal determination of Albert Einstein Academies' 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 Albert Einstein Academies' state 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 Albert Einstein Academies' 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 Audit Guide 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 Albert Einstein Academies' compliance with the requirements of each applicable state program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Albert Einstein Academies' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Albert Einstein Academies' internal control over state 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 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Albert Einstein Academies' internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine the Albert Einstein Academies' compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
<u>School Districts, County Offices of Education, and Charter Schools</u>	
T. California Clean Energy Jobs Act.....	Yes
U. After/Before School Education and Safety Program.....	N/A
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X. Local Control and Accountability Plan.....	Yes
Y. Independent Study - Course Based.....	N/A
Z. Immunizations.....	Yes
AZ. Educator Effectiveness.....	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G).....	Yes
CZ. Career Technical Education Incentive Grant.....	N/A
DZ. In Person Instruction Grant.....	Yes
<u>Charter Schools</u>	
AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	N/A
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
EE. Annual Instructional Minutes - Classroom Based.....	Yes
FF. Charter School Facility Grant Program.....	Yes

N/A – The Charter School did not offer the program during the current fiscal year.

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 State 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 state 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 state 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 state 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 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King + LLP
El Cajon, California
January 31, 2023

Auditor's Results, Findings & Recommendations

Albert Einstein Academies

Schedule of Auditor's Results

Year Ended June 30, 2022

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Compliance supplement utilized for single audit July 2022

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	CARES Act - Elementary & Secondary School Emergency Relief
84.425D	CARES Act - Elementary & Secondary School Emergency Relief II
84.425D	CARES Act - Elementary & Secondary School Emergency Relief III
84.425U	CARES Act - Elementary & Secondary School Emergency Relief III
84.425	Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve
84.425	Expanded Learning Opportunities (ELO) Grant: GEER II
84.425	Expanded Learning Opportunities (ELO) Grant: ESSER III Emergency Needs
84.425	Expanded Learning Opportunities (ELO) Grant: ESSER III Learning Loss

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

Auditee qualified as low-risk auditee? Yes X No

STATE PROGRAMS

Type of auditor's report issued on compliance for state programs: Unmodified

Internal control over applicable state programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Any audit findings disclosed that are required to be reported in accordance with *2021-22 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting*? Yes X No

Albert Einstein Academies
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

A. Financial Statement Findings

None

B. Federal Award Findings

None

C. State Award Findings

None

Albert Einstein Academies
Schedule of Prior Year Audit Findings
Year Ended June 30, 2022

<u>Finding/Recommendation</u>	<u>Status</u>	<u>Explanation if Not Implemented</u>
There were no findings in the prior year audit.	N/A	N/A