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For more information regarding the content of this material, please contact the Charter Schools Division by phone at 916-322-6029 or by e-mail at charters@cde.ca.gov.

Attachment 8

January 27, 2023, T.I.M.E. Community Audit Letter and Audit for the Year Ended June 30, 2022

Table of Contents

Letter dated January 27, 2023, from Christy White, Inc. to the Board of Directors of T.I.M.E. Community Regarding the Audit Report	2
T.I.M.E. Community Audit Report for the Year Ended June 30, 2022	5

**Letter dated January 27, 2023, from Christy White, Inc.
to the Board of Directors of T.I.M.E. Community
Regarding the Audit Report**



Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

January 27, 2023

To the Board of Directors of
T.I.M.E. Community School
Montebello, California

We have audited the financial statements of T.I.M.E. Community School for the year ended June 30, 2022, and we will issue our report thereon dated. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by T.I.M.E. Community School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2021-22 fiscal year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no estimates that were particularly sensitive to the financial statements for the 2021-22 fiscal year.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

The negative net asset balance disclosure in Note 13 to the financial statements. The net assets balance was a deficit \$268,436. The 2022-23 First Interim Budget also projects a net loss which are key factors that raise substantial doubt about the Charter's ability to continue as a going concern.

The disclosure on loans payable in Note 7 to the financial statements. The Charter received proceeds totaling \$281,348 in personal loans from individuals. The Charter was also approved to borrow \$100,000 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority. . The full amount of these loans remained outstanding as of June 30, 2022.

The financial statement disclosures are neutral, consistent, and clear.

Significant Audit Matters (continued)

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. In this instance, there were no such misstatements to be corrected.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 27, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of T.I.M.E. Community School and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Christy White, Inc.
San Diego, California

**T.I.M.E. Community Audit Report for the
Year Ended June 30, 2022**



T.I.M.E. COMMUNITY EDUCATION

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2022**

**A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL**

T.I.M.E Community (Charter No. 2110)

**T.I.M.E. COMMUNITY EDUCATION
TABLE OF CONTENTS
JUNE 30, 2022**

FINANCIAL SECTION

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7

SUPPLEMENTARY INFORMATION

LEA Organization Structure	15
Schedule of Average Daily Attendance.....	16
Schedule of Instructional Time	17
Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements	18
Notes to the Supplementary Information	19

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	20
Report on State Compliance	22

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results.....	25
Financial Statement Findings.....	26
State Award Findings and Questioned Costs	27
Schedule of Prior Audit Findings	28

FINANCIAL SECTION



Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
T.I.M.E. Community Education
Montebello, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of T.I.M.E. Community Education (the "Charter") 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of T.I.M.E. Community Education 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 T.I.M.E. Community Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Charter will continue as a going concern. As discussed in Note 13 to the financial statements, T.I.M.E. Community Education has a significant negative net asset balance as of June 30, 2022. As a result, a substantial doubt exists about the Charter's ability to continue as a going concern. Management evaluation of the events and conditions and management's plans regarding those matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about T.I.M.E. Community Education's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 judgement 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 judgement 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 T.I.M.E. Community Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about T.I.M.E. Community Education's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents 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 information is 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 27, 2023, on our consideration of T.I.M.E. Community Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter'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 T.I.M.E. Community Education's internal control over financial reporting and compliance.



San Diego, California
January 27, 2023

T.I.M.E. COMMUNITY EDUCATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current assets

Cash and cash equivalents	\$	55,563
Accounts receivable		100,959
Prepaid expenses		25,616
Total current assets		<u>182,138</u>

Noncurrent assets

Deposits		35,600
Capital assets, net		8,925
Total noncurrent assets		<u>44,525</u>
Total Assets	\$	<u>226,663</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	110,911
Deferred revenue		2,840
Loans payable		381,348
Total liabilities		<u>495,099</u>

Net assets

Without donor restrictions		<u>(268,436)</u>
Total net assets		<u>(268,436)</u>
Total Liabilities and Net Assets	\$	<u>226,663</u>

The notes to the financial statements are an integral part of this statement.

**T.I.M.E. COMMUNITY EDUCATION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 481,610
Federal revenues	182,540
Other state revenues	32,600
Total federal and state support and revenues	696,750
Local support and revenues	
Grants and donations	10,287
Other local revenues	1,393
Total local support and revenues	11,680
Total Support and Revenues	708,430
 EXPENSES	
Program services	630,214
Management and general	456,323
Total Expenses	1,086,537
 CHANGE IN NET ASSETS	 (378,107)
Net Assets - Beginning	109,671
Net Assets - Ending	\$ (268,436)

The notes to the financial statements are an integral part of this statement.

**T.I.M.E. COMMUNITY EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 300,970	\$ 120,365	\$ 421,335
Non-certificated salaries	38,349	93,272	131,621
Pension plan contributions	22,480	14,154	36,634
Payroll taxes	21,006	30,733	51,739
Other employee benefits	26,720	16,823	43,543
Total personnel expenses	<u>409,525</u>	<u>275,347</u>	<u>684,872</u>
Non-personnel expenses			
Books and supplies	58,263	-	58,263
Insurance	-	17,961	17,961
Facilities	72,188	-	72,188
Professional services	82,396	145,819	228,215
Interest expense	-	10,831	10,831
Fees to authorizing agency	-	4,816	4,816
Other operating expenses	7,842	1,549	9,391
Total non-personnel expenses	<u>220,689</u>	<u>180,976</u>	<u>401,665</u>
Total Expenses	<u>\$ 630,214</u>	<u>\$ 456,323</u>	<u>\$ 1,086,537</u>

The notes to the financial statements are an integral part of this statement.

**T.I.M.E. COMMUNITY EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (378,107)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
(Increase) decrease in operating assets	
Accounts receivable	(959)
Prepaid expenses	(2,766)
Deposits	(35,600)
Increase (decrease) in operating liabilities	
Accounts payable	47,828
Deferred revenue	2,840
Net cash provided by (used in) operating activities	<u>(366,764)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	<u>(8,925)</u>
Net cash provided by (used in) investing activities	<u>(8,925)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Draws or proceeds from loans payable	<u>381,348</u>
Net cash provided by (used in) financing activities	<u>381,348</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 5,659

Cash and cash equivalents - Beginning 49,904

Cash and cash equivalents - Ending \$ 55,563

SUPPLEMENTAL DISCLOSURE

Cash paid for interest	<u>\$ 10,831</u>
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**T.I.M.E. COMMUNITY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

T.I.M.E. Community Education (the “Charter”) was formed as a nonprofit public benefit corporation on August 10, 2018 for the purpose of operating as a California public school located in Los Angeles County. The charter school operated by the Charter, T.I.M.E. Community School, is numbered by the State Board of Education as California Charter No. 2110. The Charter’s mission is to provide a college preparatory program to students in grades nine through twelve, and develop the academic, social, and political skill sets necessary for lifelong learning, critical thinking, and positive contributions to the communities in which students live. The fiscal year ended June 30, 2022, was the Charter’s first year of school operation serving grades 9 and 10.

T.I.M.E. Community Education is authorized to operate as a charter school through the Los Angeles County Office of Education (the “authorizing agency”). The current charter petition has an end date of June 30, 2027. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, T.I.M.E. Community Education is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, T.I.M.E. Community Education also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure.810 Charter Schools. Fund accounting is not used in the Charter’s financial statement presentation.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

**T.I.M.E. COMMUNITY EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**E. Contributions**

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to T.I.M.E. Community Education. Revenues are recognized by the Charter when earned.

G. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

H. Cash and Cash Equivalents

T.I.M.E. Community Education considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

The Charter's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions.

**T.I.M.E. COMMUNITY EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**J. Receivables and Allowances (continued)**

Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2022, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

T.I.M.E. Community Education has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

M. Income Taxes

T.I.M.E. Community Education is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**T.I.M.E. COMMUNITY EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. New Accounting Pronouncement

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Charter will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2022, consists of cash in banks of \$55,563 held in noninterest-bearing accounts. As of June 30, 2022, T.I.M.E. Community Education's bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 in accounts at any one insured bank. Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. The FDIC insures up to \$250,000 per depositor per insured bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2022, consists of the following:

Local control funding sources, state aid	\$ 30,600
Federal sources	55,939
Other state sources	14,420
Total Accounts Receivable	\$ 100,959

NOTE 4 – CAPITAL ASSETS

Capital assets consist of \$8,925 in leasehold improvements as of June 30, 2022. There was no depreciation expense recorded for the year ended June 30, 2022 as the capital assets were not yet put into use as of year end.

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2022, consists of the following:

Vendor payables	\$ 63,784
Salaries and benefits	30,836
Due to grantor government	11,475
Due to authorizing agency	4,816
Total Accounts Payable	\$ 110,911

NOTE 6 – DEFERRED REVENUE

Deferred revenue as of June 30, 2022, consists of \$2,840 from federal funding received but not yet earned.

**T.I.M.E. COMMUNITY EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 7 – LOANS PAYABLE

A summary of activity related to loans payable during the year ended June 30, 2022 consists of the following:

	Balance		Balance	
	July 1, 2021	Draws	Payments	June 30, 2022
Charter revolving loan	\$ -	\$ 100,000	\$ -	\$ 100,000
Personal loans	-	281,348	-	281,348
Total Loans Payable	\$ -	\$ 381,348	\$ -	\$ 381,348

Charter Revolving Loan

The Charter was approved to borrow \$100,000 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA). The proceeds were received in September 2021. The loan is to be repaid over a five-year period with payments beginning August 2022 and ending January 2027. The revolving note bears an annualized interest rate equal to the “prime rate” of 0.21%. As of June 30, 2022, the outstanding balance on the loan remained at \$100,000. Repayment obligations on the above referenced debt are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 19,998	\$ 263	\$ 20,261
2024	19,998	160	20,158
2025	19,998	115	20,113
2026	19,998	74	20,072
2027	20,008	33	20,041
Total	\$ 100,000	\$ 645	\$ 100,645

Personal Loans

During the fiscal year ended June 30, 2022, the Charter received proceeds totaling \$281,348 in personal loans from individuals. The full amount remained outstanding as of June 30, 2022. Additional information is as follows:

In May 2022, the Charter received \$60,000 from Adrian Enriquez, the former Board Treasurer of the Charter. The loan is supported by a board-approved unsecured promissory note stating the principal amount is to be repaid in full by August 15, 2022 with interest of five percent.

From January to April 2022, Dr. Gabriel Ramirez, the Charter's Executive Director and Founder, provided a total of \$221,348 in proceeds to the Charter. Each borrowing was accompanied by a board-approved unsecured promissory note with repayment due as follows:

Date of Promissory Note	Borrowed Amount	Repayment Due Date	Interest Rate
January 20, 2022	\$ 30,000	February 28, 2022	0.00%
February 17, 2022	60,375	April 15, 2022	0.00%
March 20, 2022	30,000	June 30, 2022	13.52%
April 7, 2022	50,973	July 31, 2022	5.00%
May 5, 2022	50,000	August 31, 2022	5.00%
Total	\$ 221,348		

No revised repayment terms have been agreed upon for the three of the five borrowings for which the repayment due date has lapsed and remain due as of June 30, 2022.

**T.I.M.E. COMMUNITY EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 8 – NET ASSETS

As of June 30, 2022, the Charter did not hold any net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2022, the Charter's net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 8,925
Undesignated	(277,361)
Total Net Assets without Donor Restrictions	<u>\$ (268,436)</u>

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 55,563
Accounts receivable	100,959
Prepaid expenses	<u>25,616</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 182,138</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, T.I.M.E. Community School is approved to operate as a public charter school through authorization by the Los Angeles County Office of Education. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the charter petition end date is June 30, 2027.

The Charter makes payments to the authorizing agency to provide required services for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$4,816 for the fiscal year ending June 30, 2022.

Governmental Funds

T.I.M.E. Community Education has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Pending or Threatened Litigation

The Charter is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2022.

**T.I.M.E. COMMUNITY EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

Operating Lease

In May 2022, the Charter entered into a lease agreement to occupy space located at 482 North Garfield Avenue in Montebello, California. The facility is to be utilized for instructional services in order to meet the goals established by the Charter. The lease called for a security deposit of \$35,600, which was paid prior to June 30, 2022 and has been recorded as a noncurrent asset on the statement of financial position. The lease agreement covers a term beginning July 1, 2022 through June 30, 2027. Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Payments
2023	\$ 427,200
2024	440,016
2025	453,216
2026	466,813
2027	480,817
Total	\$ 2,268,062

NOTE 11 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to T.I.M.E. Community Education in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles. The Charter did not receive any donated items during the year ended June 30, 2022.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Charter's Executive Director and Founder, Dr. Gabriel Ramirez, provided loan proceeds to the Charter as disclosed in more detail at Note 7. As such, Dr. Ramirez is classified as an interested party because he is also employed by the Charter.

NOTE 13 – GOING CONCERN

At June 30, 2022, the Charter's net assets balance was a deficit \$268,436. The negative net asset balance along with projected net loss reported on the 2022-23 First Interim Budget report are key factors that raise substantial doubt about the Charter's ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis and do not include any adjustments to reflect the possible future effects on the recoverability or classification of assets or the amounts and classifications of liabilities that may result should the Charter be unable to continue as a going concern.

The pandemic affected most schools in their ability to recruit and enroll students; therefore, lower enrollment affected the Charter's operating budget and ability to operate. As a result, the Charter looked for secondary streams of income to help sustain operations throughout the pandemic to ensure that students received a quality educational program. T.I.M.E. Community Education was able to increase student enrollment by approximately 80% for the 2022-23 fiscal year and looks to have the same growth for the 2023-24 school year. The Charter has experienced one-time start-up costs that will not be repeated in future years and has budgeted for positive net assets in its multi-year projections.

Management's plans to mitigate the conditions and events that raise substantial doubt about the Charter's ability to continue as a going concern include increased enrollment, applying for various grants, and creation of a fundraising plan. The Charter's ability to restore its net asset balance to a surplus is dependent upon its ability to meet management's multi-year projections; however, there have been no assurances that the Charter will be successful in its efforts.

T.I.M.E. COMMUNITY EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 14 – SUBSEQUENT EVENTS

T.I.M.E. Community Education has evaluated subsequent events for the period from June 30, 2022 through January 27, 2023, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**T.I.M.E. COMMUNITY EDUCATION
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022**

T.I.M.E. Community Education, located in Los Angeles County, was formed as a nonprofit public benefit corporation on August 10, 2018. The charter school operated by the nonprofit, T.I.M.E. Community School, is numbered by the State Board of Education as Charter No. 2110. The Charter is authorized to operate as a charter school through Los Angeles County Office of Education. Classes began July 1, 2021 for grades 9 and 10.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Lamar Brown, M.Ed.	President	August 28, 2023
Brandy Price, J.D.	Vice President	August 28, 2023
Alexandra Soto	Secretary	August 28, 2023
Jorge Moreno, M.D.	Member	August 28, 2023
Korstiaan Vandiver	Member	July 30, 2024
E.J. Liao	Member	August 28, 2023

ADMINISTRATION

Gabriel Ramirez, Ed.D.
Executive Director & Founder

**T.I.M.E. COMMUNITY EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Annual Report
	<u>Classroom-Based</u>	
Grade Span		
Ninth through twelfth	34.37	34.62
Total Average Daily Attendance - Classroom-Based	<u>34.37</u>	<u>34.62</u>

The Charter had no Nonclassroom-Based ADA in 2021-22.

**T.I.M.E. COMMUNITY EDUCATION
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2021-22 Instructional Minutes</u>	<u>2021-22 Number of Days</u>	<u>Status</u>
Grade 9	64,800	65,840	180	Complied
Grade 10	64,800	65,840	180	Complied

See accompanying notes to supplementary information.

**T.I.M.E. COMMUNITY EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022**

June 30, 2022, net position in the Charter Schools Enterprise Fund per Annual Financial and Budget Report (Unaudited Actuals)	<u>\$ (283,327)</u>
Adjustments:	
Increase (decrease) in total net assets:	
Accrue federal funding for COVID-19 testing	<u>14,891</u>
June 30, 2022, net assets per audited financial statements	<u>\$ (268,436)</u>

See accompanying notes to supplementary information.

**T.I.M.E. COMMUNITY EDUCATION
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

This schedule provides information about the local education agency (LEA or charter school), including the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter 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.

C. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered per grade level by the Charter and whether the Charter complied with the provisions of *Education Code Section 47612.5*.

D. Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements

This schedule provides the information necessary to reconcile net position for the Charter Schools Enterprise Fund reported on the Annual Financial and Budget Report (Unaudited Actuals) to net assets on the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS



Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

**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**

Independent Auditors' Report

To the Board of Directors of
T.I.M.E. Community Education
Montebello, California

We have audited, 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, the financial statements of T.I.M.E. Community Education (the "Charter") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated January 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter'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 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 the Charter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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 Charter'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 Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

San Diego, California
January 27, 2023



Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

To the Board of Directors of
T.I.M.E. Community Education
Montebello, California

Report on State Compliance

Opinion on State Compliance

We have audited T.I.M.E. Community Education's compliance with the types of compliance requirements described 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, that could have a direct and material effect on each of T.I.M.E. Community Education's state programs for the fiscal year ended June 30, 2022, as identified below. Reference to T.I.M.E. Community Education within this letter is inclusive of T.I.M.E. Community School (Charter No. 2110).

In our opinion, T.I.M.E. Community Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

Basis for Opinion on State Compliance

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

We are required to be independent of T.I.M.E. Community Education and to meet certain 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 opinion on state compliance. Our audit does not provide a legal determination of T.I.M.E. Community Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to T.I.M.E. Community Education's state programs.

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Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on T.I.M.E. Community Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about T.I.M.E. Community Education's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement 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 T.I.M.E. Community Education's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of T.I.M.E. Community Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of T.I.M.E. Community Education's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine T.I.M.E. Community Education's compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Not applicable
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Not applicable
Expanded Learning Opportunities Grant (ELO-G)	Not applicable
Career Technical Education Incentive Grant	Not applicable
In Person Instruction Grant	Not applicable
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the 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 or 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 state 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 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 State Compliance section 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. 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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.



San Diego, California
January 27, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**T.I.M.E. COMMUNITY EDUCATION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>None</u>

Federal Awards

The Charter did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable.

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
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 ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

All audit year findings, if any, are assigned an appropriate finding code as follows:

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
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

**T.I.M.E. COMMUNITY EDUCATION
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings related to the financial statements for the year ended June 30, 2022.

**T.I.M.E. COMMUNITY EDUCATION
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2022.

**T.I.M.E. COMMUNITY EDUCATION
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There was no audit conducted nor required to be conducted for the year ended June 30, 2021.