

**EPIC ONE-ON-ONE CHARTER SCHOOL  
Oklahoma County, Oklahoma**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Education  
Epic One-on-One Charter School  
Oklahoma City, Oklahoma County, Oklahoma

### **Opinions**

We have audited the accompanying financial statements of the Epic One-on-One Charter School (“Epic One-on-One”), which comprise the statement of regulatory net position – regulatory basis as of and for the year ended June 30, 2022, and the related statement of regulatory activities – regulatory basis for the year then ended, and the related notes to the financial statements, which collectively comprise Epic One-on-One's basic financial statements.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Epic One-on-One, as of June 30, 2022, or the changes in its financial position for the year then ended.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statements are prepared by Epic One-on-One, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position on a regulatory basis of the governmental activities of Epic One-on-One, as of June 30, 2022, and the respective changes in regulatory basis financial position thereof and for the year ended in accordance with the regulatory basis of accounting described in the Note 1.

### **Basis for Unmodified Opinion on Regulatory Basis of Accounting**

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 Epic One-on-One, 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.

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## **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed by the Oklahoma State Department of Education described in Note 1; 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 Epic One-on-One’s 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Epic One-on-One’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Epic One-on-One’s ability to continue as a going concern for a reasonable period of time.

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

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Epic One-on-One’s basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

Management has omitted Management’s Discussion and Analysis and the budgetary comparison schedules that are required supplementary information for the regulatory basis of accounting based on standards issued by the Oklahoma State Department of Education. Such missing information, although not a part of the basic financial



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statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2022, on our consideration of Epic One-on-One’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 Epic One-on-One’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 Epic One-on-One’s internal control over financial reporting and compliance.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
September 14, 2022



**EPIC ONE-ON-ONE CHARTER SCHOOL**  
**Oklahoma City, Oklahoma**

**STATEMENT OF REGULATORY NET POSITION**  
**ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS**  
**June 30, 2022**

	Total General Fund	General Fixed Asset Account Group	Total (Memo Only)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 41,408,440	\$ -	\$ 41,408,440
Property, plant and equipment	-	3,040,633	3,040,633
<b>Total Assets</b>	<b>\$ 41,408,440</b>	<b>\$ 3,040,633</b>	<b>\$ 44,449,073</b>
<b>LIABILITIES</b>			
Warrants outstanding	\$ 5,020,773	\$ -	\$ 5,020,773
Encumbrances	5,891,110	-	5,891,110
<b>Total Liabilities</b>	<b>10,911,883</b>	<b>-</b>	<b>10,911,883</b>
<b>FUND BALANCES</b>			
Nonspendable	-	3,040,633	3,040,633
Unassigned	30,496,557	-	30,496,557
<b>Total Fund Balances</b>	<b>30,496,557</b>	<b>3,040,633</b>	<b>33,537,190</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 41,408,440</b>	<b>\$ 3,040,633</b>	<b>\$ 44,449,073</b>

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

**EPIC ONE-ON-ONE CHARTER SCHOOL**  
**Oklahoma City, Oklahoma**

**STATEMENT OF REGULATORY ACTIVITIES**  
**ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS**  
**For the year ended June 30, 2022**

	Total General Fund	General Fixed Asset Account Group	Total (Memo Only)
<b>Revenue</b>			
Local sources	\$ 344,954	\$ -	\$ 344,954
State sources	138,880,045	-	138,880,045
Federal sources	16,185,968	-	16,185,968
Other sources	24,428	-	24,428
<b>Total Revenues</b>	<b>155,435,395</b>	<b>-</b>	<b>155,435,395</b>
<b>Expenditures</b>			
Current			
Instruction	132,755,595	-	132,755,595
Support services	20,811,382	(158,501)	20,652,881
Non-instruction services	2,542,311	447,235	2,989,546
<b>Total Expenditures</b>	<b>156,109,288</b>	<b>288,734</b>	<b>156,398,022</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(673,893)</b>	<b>(288,734)</b>	<b>(962,627)</b>
<b>Other Financing Sources (Uses)</b>			
Deobligation of prior year funds	412,254	-	412,254
Estopped warrants	50,974	-	50,974
<b>Total Other Financing Sources (Uses)</b>	<b>463,228</b>	<b>-</b>	<b>463,228</b>
Fund Balance, beginning of year	30,707,222	3,329,367	34,036,589
Fund Balance, end of year	<b>\$ 30,496,557</b>	<b>\$ 3,040,633</b>	<b>\$ 33,537,190</b>

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

**EPIC ONE-ON-ONE CHARTER SCHOOL**  
**Oklahoma County, Oklahoma**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS as of June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Epic One-on-One Charter School, Oklahoma City, Oklahoma County, Oklahoma ("Epic One-on-One") conform to the regulatory basis of accounting, which is another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. Epic One-on-One's accounting policies are described in the following notes which are an integral part of Epic One-on-One's financial statements.

**A. Reporting Entity and Related Parties**

Community Strategies, Inc., an Oklahoma not-for-profit corporation described in Internal Revenue Code Section 501(c)(3), was formed for the benefit of a School to be called Epic One-on-One Charter School. Epic One-on-One Charter School is associated with Epic Blended Learning Charter. Epic One-on-One was formed under the provisions of the Oklahoma Charter Schools Act (Oklahoma Statutes 70-3-130) through a contract with Graham Public Schools No. 1-32, Weleetka, Okfuskee County, Oklahoma, as its sponsoring organization. Graham Public School entered into a contract with Epic on December 10, 2010 and received approval from the Oklahoma State Department of Education on January 19, 2011 to sponsor Epic as a Charter School. School operations began effective May 10, 2011.

The governing body of Epic One-on-One is the Board of Education (the "Board") composed of 6 nominated members, who are also the executive board of Community Strategies, Inc and Epic Blended Learning Charter. The Superintendent was appointed as the executive officer of Epic One-on-One. Additionally, the Deputy Superintendent of Finance was appointed as the Treasurer. The Board has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Epic One-on-One. Epic One-on-One receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are nominated through an independent and thorough vetting process, which is performed by Education Board Partners, and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Epic One-on-One's activities are reported for federal and Oklahoma tax purposes by Community Strategies, Inc. and as such, the income of Epic One-on-One is subject to income taxes only to the extent it generates income from unrelated activities. Epic One-on-One had no unrelated income in the year ended June 30, 2022.

Although Community Strategies, Inc. is a not-for-profit entity that would normally follow the presentation requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958-205, Epic One-on-One is considered a quasi-governmental entity subject to the reporting requirements of the Oklahoma State Department of Education. Therefore, Epic One-on-One is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma's support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes and the Oklahoma Charter Schools Act.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity and Related Parties (Continued)**

Epic One-on-One is a separate entity for operating and financial reporting purposes and these financial statements present only the activities of Epic One-on-One. Any other activities, if any, of Community Strategies, Inc. other than Epic One-on-One are not included in these financial statements.

**B. Mission and Nature of Organization**

Epic One-on-One's mission statement is "Fulfilling every student's individual potential by personalizing an educational plan that focuses on school and family partnership to achieve optimal student performance." In education today, one size doesn't fit all. Epic One-on-One provides students and families with a learning environment that can meet an individual student's unique needs. Epic One-on-One is a free PreK-12 public school for parents/students seeking a non-traditional education setting utilizing internet based, individualized self-paced instruction provided in nearly any location. Each course is taught by an Oklahoma-certified teacher.

**C. Measurement Focus**

The accounts of Epic One-on-One are organized and operated on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Account Groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

Epic One-on-One has the following fund types:

**Governmental funds** - are used to account for most of Epic One-on-One's general activities and general fixed assets account groups. The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including entitlements, grants, and shared revenues are recognized when they are received rather than earned. Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund type:

**General fund** - is the general operating fund of Epic One-on-One. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include federal and state funding. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term debt. The General Fund also accounts for federal and state-financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus (Continued)**

**Account groups** - are not funds and consist of a self-balancing set of accounts used only to establish accounting control over fixed assets.

General Fixed Asset Account Group - accounts for the original costs of all fixed assets. A General Fixed Asset Account Group has been presented in note 3.

**D. Basis of Accounting and Presentation**

Epic One-on-One prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements Management's Discussion and Analysis for State and Local Governments* with certain modifications. This format differs significantly from that required by GASB 34.

The financial statements are essentially prepared on the basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Vendor obligations due and payable for goods and services received are recorded as a reduction of the encumbrance when paid.
- Investments are recorded as assets when acquired.
- School supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Compensated absences are recorded as expenditure when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Fund Balance, Revenue and Expenditures**

**1. Cash and Cash Equivalents**

State statutes govern Epic One-on-One's investment policy. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Cash equivalents are stated at cost.

**2. Fair Value of Financial Instruments**

Epic One-on-One's financial instruments include cash and investments. Epic One-on-One's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of assets, liabilities and fund balances. The balances are recorded at their cash value and approximates fair value because of the short maturity of these instruments.

**3. Use of Estimates**

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**4. Interfund Transactions**

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. Non-recurring or non routine permanent transfers of equity are reported as residual equity transfers.

**5. Fixed Assets**

Fixed assets used in governmental fund-type operations (general fixed assets) are recorded as capital expenditures at the time of purchase and are recorded as property, plant and equipment in the General Fixed Asset Account Group. All fixed assets are valued at historical cost, except for donated fixed assets, which are recorded at their estimated acquisition value at the date of donation. Depreciation and accumulated depreciation are not reported against general fixed assets. Epic One-on-One maintains a capitalization threshold of \$1,000. The cost of normal maintenance and repairs that do not add value of the asset or materially extend assets lives are not capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)

6. Compensated Absences

Epic One-on-One provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. Epic One-on-One policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Epic One-on-One's non-certified staff receives 12 days of vacation and sick days per year but has used most of these at the end of the year.

7. Fund Balance

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation.

An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

***Restricted*** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

***Committed*** fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

***Assigned*** fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

***Unassigned*** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)**

**8. State Revenues**

Revenues from state sources for current operations are primarily governed by state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

Epic One-on-One receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

**9. Federal Revenues**

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity, or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state. Entitlement is the amount of payment to which Epic One-on-One may be entitled pursuant to an allocation formula contained in applicable statutes. Any federal revenues received by Epic One-on-One would be apportioned to the general fund.

**10. Memorandum Only - Total Columns**

Total columns on the combined financial statements are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**11. Resource Use Policy**

It is in Epic One-on-One's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, Epic One-on-One considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is Epic One-on-One's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, Epic One-on-One considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

Epic One-on-One is required by state law to prepare an annual budget. A preliminary budget is submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund - is utilized in all Governmental Funds of Epic One-on-One. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year end.

## **3. DETAILED NOTES CONCERNING THE FUNDS**

### **A. Cash and Cash Equivalents**

#### *Custodial Credit Risk*

At June 30, 2022, Epic One-on-One held deposits of approximately \$35,381,760 at financial institutions. Epic One-on-One's cash deposits are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by Epic One-on-One or by its agent in Epic One-on-One's name.

#### *Interest Rate Risk*

Epic One-on-One does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than limitations outlined by state law.

#### *Credit Risk*

Epic One-on-One has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

**EPIC ONE-ON-ONE CHARTER SCHOOL**  
**Oklahoma County, Oklahoma**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS as of June 30, 2022**

**3. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The cash and investments held at June 30, 2022 are as follows:

Type	Market Value	Cost	Credit Rating	Weighted Average Maturity
Cash and cash equivalents:				
Demand deposits	\$ 41,408,440	\$ 41,408,440	N/A	N/A
	<u>\$ 41,408,440</u>	<u>\$ 41,408,440</u>		

*Concentration of Credit Risk*

Epic One-on-One has credit risk related to deposits in various financial institutions. Epic One-on-One has collateralized these deposits to cover any potential risk of loss. Additionally, deposits are covered by FDIC limits of \$250,000 per institution.

**B. Capital Assets**

Epic One-on-One's capital asset activity for the year ended is as follows:

Type	Balance 6/30/2021	Additions	Disposals	Balance 6/30/2022
Capital assets:				
Leashold improvements	\$ 4,110,243	\$ -	\$ -	\$ 4,110,243
Computers & related equipment	34,437	138,904	-	173,341
Furniture & fixtures	-	19,597	-	19,597
Less: accumulated depreciation	<u>(815,313)</u>	<u>(447,235)</u>	<u>-</u>	<u>(1,262,548)</u>
Total fixed assets	<u>\$ 3,329,367</u>	<u>\$ (288,734)</u>	<u>\$ -</u>	<u>\$ 3,040,633</u>

Prior year beginning balance have been reclassified to conform to current year presentation.

#### **4. OTHER INFORMATION**

##### **a. Risk Management**

Epic One-on-One is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; or acts of God. Epic One-on-One purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. Epic One-on-One had the following insurance coverage during the year: commercial property- various coverages ranging from \$10,000 to over \$5,700,000,000; general liability- \$1,000,000 each occurrence and \$3,000,000 in aggregate; educators liability \$1,000,000; and umbrella liability- \$2,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past fiscal year.

##### **b. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although Epic One-on-One expects such amounts, if any, to be immaterial.

Epic One-on-One is the defendant in various lawsuits and investigations. Although the outcome of these lawsuits is not presently determinable, Epic One-on-One believes the resolution of these matters will not have a material adverse effect on the financial condition of Epic One-on-One.

In January 2022, the Internal Revenue Service started an investigation of the School's finances and governance. The final ruling of whether there will be a contingent loss is not yet determined. Management is unable to assess any potential liability from this investigation.

##### **c. Line of Credit**

Epic One-on-One has an unused, unsecured line of credit through June 30, 2023 with a financial institution that provides up to \$15,000,000 with interest equal to the prime rate plus 1 percent, with an interest rate floor of 4.25%. Interest would be payable monthly on the 23<sup>rd</sup> of each month after the initial borrowing. There was no outstanding balance as of June 30, 2022.

##### **d. Commitments**

Epic One-on-One has entered into various contracts that were formed in order for the virtual school to operate successfully. The contracts are with Powerschool LLC, Spendbridge, Resource Data Inc. and TeleComp. The contracts are in place to keep the virtual school up to date with all core curriculum and technology services. If any of these areas would fail, the virtual school that Epic One-on-One is providing may not be able to provide the services that are required by the Oklahoma Department of Education. Epic One-on-One has several leases that extend beyond the date of June 30, 2023. However, these leases are in violation of Title 62 Section 430.1 of Oklahoma State Statutes, which requires a mutual ratification clause each year for leases extending after one year from the fiscal year end and are not considered committed after that date as the leases are in violation of state law.

#### 4. OTHER INFORMATION (Continued)

##### e. Employee Retirement System and Plan

###### Teachers Retirement System of Oklahoma

*Description of Plan* - Epic One-on-One participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

*Benefits Provided* - The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. Benefit provisions include:

- Members who began contributions prior to November 1, 2017 become 100% vested in benefits earned to date after five years of credited service. The vesting term for members who began contributions on or after November 1, 2017 is seven years.
- Members who joined the System prior to July 1, 1992 are eligible to retire at maximum benefits at the earlier of age 62 or when age and years of creditable service total 80. Members joining from July 1, 1992 to October 31, 2011 are eligible for maximum benefits at the earlier of age 62 or when their age and years of creditable service total 90. Members who joined the System on or after November 1, 2011, are eligible to retire with maximum benefits at the earlier of age 65 or when their age and years of creditable service total 90 as long as their age is at least 60.
- The maximum retirement benefit is 2% of final average compensation times the number of years of credited service. Reduced benefits are available at age 55 for members joining prior to November 1, 2011 or age 60 for members joining after October 31, 2011. Reduction factors vary depending on age and date of membership when joining the System.
- Final average compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for three highest years of contributing compensation. For members joining the System after June 30, 1992 final average compensation is defined as the average of the five highest consecutive years of contributing compensation. Prior to July 1, 1995 all contributions were limited to salary caps of \$40,000 or \$25,000 depending on the member's election. Salary caps were removed starting July 1, 1995.
- Upon death, the designated beneficiary of a member who has not retired shall receive total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. The surviving spouse may elect to receive the retirement benefit of the member, in lieu of the aforementioned benefits.
- Upon death of a retired member, the System will pay \$5,000 to the designated beneficiary in addition to the benefits provided by the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon withdrawal from the system, a member's contributions are refundable with interest, based on the years of service.

**4. OTHER INFORMATION (Continued)**

**e. Employee Retirement System and Plan (Continued)**

*Basis of Accounting* - The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

*Funding Policy* - Epic One-on-One, the State of Oklahoma, and the participating employee make contributions. The contribution rates for Epic One-on-One and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally,

OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. Epic One-on-One and State are required to contribute 14.0% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.75% of its revenues from sales tax use taxes, corporate income taxes and individual income taxes. Epic One-on-One contributed 9.5% and the State of Oklahoma plus the federal contribution contributed the remaining 4.5% during this year. Epic One-on-One is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The school is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

Epic One-on-One's total contributions for 2022, based on the most recently available plan documents was \$9,625,304, and equaled the required contributions for that year.

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/>.

**f. Other Post-Employment Benefits (OPEB)**

In addition to the retirement plan described in Note D, Epic One-on-One participates in the state administered Supplemental Health Insurance Program (OPEB plan) within the Teachers' Retirement System of Oklahoma (the OPEB system), which is a cost-sharing multiple employer defined benefit OPEB plan administered by the TRS.

*Plan description* - Epic One-on-One as the employer, participates in the Supplemental Health Insurance Program-a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at [www.ok.gov/OTRS](http://www.ok.gov/OTRS).

**4. OTHER INFORMATION (Continued)**

**f. Other Post-Employment Benefits (OPEB) (Continued)**

*Benefits provided* - OTRS pays a medical insurance supplement to eligible members who elect to continue their employer-provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Management Enterprise Services Employees Group Insurance Division, provided the member has ten (10) years of Oklahoma service prior to retirement.

*Contributions* - Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described in Note E; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. Epic One-on-One's total contributions for 2022 were based on the most recently available plan documents, amounting to \$118,987.

*OPEB plan fiduciary net position* - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/>.

**g. Surety Bonds**

The Superintendent, Minutes Clerk, Activity Fund Custodian, Treasurer and Encumbrance Clerk are bonded by Western Surety Company, bond number 71161176, for the penal sum of \$100,000 each for the term August 31, 2021 to August 31, 2022.

**5. RELATED PARTY TRANSACTIONS**

During fiscal year 2015 through 2022, Epic One-on-One was contracted with Futuristic Education, a related party through a relationship with a previous board member. This vendor provided programming services to allow for back-end integration with numerous applications Epic One-on-One relied upon, including the student information system, to conduct its daily operations and educate its students.

In order to terminate this related party relationship, current management of Epic One-on-One entered into an agreement to purchase the source code owned by Futuristic Education, which resulted in a payment of \$1,500,000 to the vendor for the period ended June 30, 2022.

**6. SUBSEQUENT EVENTS**

Management has evaluated subsequent events and transactions through the date of the audit report, which is the date the financial statements were available to be issued.

The Board of Education previously declared their intent to consolidate Epic One On One Charter School and Epic Blended Learning Charter School. The request was sent to the Oklahoma State Department of Education and was approved to consolidation on July 8, 2022. The new school district will be named "Epic Charter School" and is still governed by Community Strategies, Inc. All assets, liabilities, debts, and appropriations will transfer to the new unified district.

**EPIC ONE-ON-ONE CHARTER SCHOOL  
SINGLE AUDIT REPORTS  
AND SUPPLEMENTARY SCHEDULES**

**June 30, 2022**



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  
Epic One-on-One Charter School

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, which comprise the statement of regulatory net position – regulatory basis and the related statement of regulatory activities – regulatory basis of Epic One-on-One Charter School (“Epic One-on-One”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Epic One-on-One’s basic financial statements and have issued our report thereon dated September 14, 2022.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be a significant deficiency, and 2022-004 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Epic One-on-One’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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003.

### **Epic One-on-One’s Response to Findings**

Epic One-on-One’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Epic One-on-One’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
September 14, 2022





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM  
GUIDANCE

To the Honorable Board of Education  
Epic One-on-One Charter School  
Oklahoma City, Oklahoma County, Oklahoma

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Epic One-on-One Charter School ("Epic One-on-One") 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 Epic One-on-One's major federal programs for the year ended June 30, 2022. Epic One-on-One's 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, Epic One-on-One 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 Epic One-on-One 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 Epic One-on-One's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Epic One-on-One's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Epic One-on-One's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Epic One-on-One's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material 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 Epic One-on-One's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Epic One-on-One's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Epic One-on-One's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Epic One-on-One's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Epic One-on-One's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Epic One-on-One is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Epic One-on-One's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **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. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs at item 2022-004, that we consider to be a material weakness.

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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements – regulatory basis of Epic One-on-One as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Epic One-on-One's basic financial statements. We issued our report thereon dated September 14, 2022, which contained modifications to the opinion related



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to the use of the regulatory basis of accounting instead of accounting principles generally accepted in the United States of America (“GAAP”). Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
September 14, 2022





**EPIC ONE-ON-ONE CHARTER SCHOOL**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2022**

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (“SEFA”) includes the federal award activity of Epic One-on-One Charter Schools (“Epic”) under programs of the federal government for the year ended June 30, 2021. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of Epic One-on-One, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Epic One-on-One.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the basis of the financial reporting provisions of Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of Oklahoma State Department of Education. Such expenditures 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. Epic One-on-One has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C—SUBRECIPIENTS

During the year ended June 30, 2022, Epic One-on-One did not provide federal awards to subrecipients.

**EPIC ONE-ON-ONE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022**

**Section I--Summary of Auditor's Results**

*Financial statements*

Type of auditor's report issued on whether the financial statements were in accordance with GAAP: *Adverse*

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified?   X   yes        none  
reported

Noncompliance material to financial statements noted?   X   yes        no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified?        yes   X   none  
reported

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

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

Identification of major federal programs:

<u>Program</u>	<u>Federal AL Number</u>
Special Education Cluster (IDEA)	*
Title I Grants to LEAs	84.010
Education Stabilization Fund Under CARES Act	84.425

\* Multiple program numbers in the cluster.

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

Auditee qualified as low-risk auditee?        yes   X   no

**EPIC ONE-ON-ONE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022**

**Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

**A. Internal Control and Compliance Findings**

**Finding 2022-001 – Student information system edit rights and enrollment counts**

**Criteria:** Adequate segregation of duties and preventative controls should exist for employees whose compensation is based on source data within the student information system. Additionally, per Title 70 § 3-145.8 a student should be timely removed as truant when an instructional activity is not completed for fifteen consecutive days.

**Condition:** Employees had edit rights to source data within the student information system relating to attendance tracking, which drives many employees' earnings for salary and bonuses. Students were included in average daily membership for a length of time longer than allowable per the instructional activities completed according to Title 70 § 3-145.8.

**Cause and Effect:** The implementation of a new student information system resulted in employees having the ability to make changes to previously submitted instructional activities and attendance source data, which in turn provided an opportunity to directly increase their own earnings. The use of a third-party algorithm that converts instructional activities to attendance was not monitored and thoroughly understood by management. Truant students were not removed from membership timely. As a result, students were identified to be within average daily membership for longer periods of time than allowable per the virtual charter school attendance law.

**Recommendation:** We recommend that edit rights be removed within the student information system for employees who directly enter instructional activities and attendance information and that adequate preventative and detective internal controls be implemented to ensure edits to the student information system are in accordance with applicable statutes and internal policies. We also recommend that Epic re-evaluate their policies for attendance to ensure that it complies with requirements outlined by the Oklahoma Department of Education and work with the department to further define Title 70 § 3-145.8.

**Management Response:** We understand the causes and findings as outlined above. Epic removed edit rights in the fall of 2021. Epic is working with the State Department of Education to develop policies and procedures for attendance that comply with requirements in statute.

**B. Compliance Findings**

**Finding 2022-002 – Lease commitments exceeding one year**

**Criteria:** Per Title 62 § 430.1 of Oklahoma State Statutes, the governing board of any county, city or town, or school district is authorized to rent on a monthly basis real or personal property as authorized by the governing board and to pay the rental charges thereon for usage during any fiscal period, or portion thereof, out of appropriations made and approved for such purposes for, or during, such fiscal year. Any such rental contract extending beyond June 30 of the fiscal year shall contain provisions for mutual ratification of renewal under the conditions provided in this section.

**EPIC ONE-ON-ONE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022**

**Condition:** Epic has multiple lease agreements that do not contain mutual ratification of renewal terms that have committed State funds beyond June 30, 2023.

**Cause and Effect:** Previous management signed lease agreements that have lease terms with varying terms of expiration but are all beyond the allowable date of June 30, 2023 and do not contain mutual renewal conditions in the contracts. This has resulted in the commitment of State funds beyond the appropriated budget year.

**Recommendation:** We recommend that Epic amend the lease agreements with the lessor to add the mutual ratification amendments to comply with state statutes.

**Management Response:** We understand the causes and findings as outlined above. Epic will continue to attempt to amend lease agreements with lessors.

**Finding 2022-003 – Undisclosed related party transaction**

**Criteria:** Interested persons have a duty to disclose any actual or possible conflicts of interest according to Epic policy.

**Condition:** A contract was approved in fiscal year 2015 that carried forward through fiscal year 2022 whereby a related party relationship existed with a board member that was undisclosed at the time the contract was signed.

**Cause and Effect:** Epic contracted with a vendor which was a related party to a prior board member. In order for current management to terminate the relationship, Epic was required to purchase the vendors programming, as it was a necessity to allow the district to continue to operate its student information system and various curriculum applications.

**Recommendation:** We recommend that Epic establishes a procedure for vendors to self-report any known or possible conflicts with interested person of the district in addition to the conflict of interest policy currently in place.

**Management Response:** We understand the causes and findings as outlined above. New vendor registration procedures were initiated in July 2022. The abovementioned contract has been terminated.

**EPIC ONE-ON-ONE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022**

**Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:**

**A. Internal Control and Compliance**

**Finding 2022-004 – Proper procurement for contracts**

**Criteria:** From the Uniform Guidance sections 200.31-200.326, there are five general procurement standards that cover the purchase of property, supplies and services under the Uniform Guidance:

1. The organization must maintain written policies and procedures for procurement covering the methods available under these regulations.
2. Costs must be reasonable and necessary
3. Must provide for full and open competition
4. The organization must maintain written standards of conduct covering internal and external conflicts of interest
5. The organization must maintain documentation addressing cost and price analysis and vendor selections where applicable based on the method of procurement used.

**Condition:** Prior to January 1, 2022, management did not have a formal bid policy in place for contracts that required formal bids that were consistent with requirements outlined by the Uniform Guidance.

**Cause and Effect:** As a result, Epic lacked the appropriate procedures from July 1, 2021 through December 31, 2021 and did not follow the specified process where an open competition occurred, a price analysis was performed, and there was no bid process was followed.

**Recommendation:** We recommend that management implements the formal procurement policy that meets the requirements outlined by the Uniform Guidance throughout the entirety of the fiscal year. Additionally, we recommend purchase order (PO) approvals are decentralized, allowing for budget owners to be the first line of defense for obtaining the necessary quotes when requesting to contract with a vendor and that these quotes are attached to the PO for final approvals.

**Management Response:** We understand the causes and findings as outlined above. Epic will continue to follow the policy put in place in January 2022, which is consistent with requirements outlined by the Uniform Guidance.

**B. Compliance Findings**

See Finding 2022-004

**EPIC ONE-ON-ONE CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESIONTED COSTS  
June 30, 2022**

**Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

**A. Internal Control**

<u>Reference Number</u>	<u>Summary of Finding</u>	<u>Status</u>
<b>Finding 2021-001 – Maintenance of proper control environment</b>	<p><b>Condition:</b> Previous management did not set an appropriate “tone at the top” to ensure ethical behavior and ensure that the structures designed were in alignment with the objectives of Epic.</p> <p><b>Management Response:</b> We agree with the causes and findings as outlined above. The relationship with EYS was terminated on May 26th, 2021. A conflict of interest policy was approved by the Board in November 2020 that applies to all management and Board members.</p>	<b>Resolved</b>
<b>Finding 2021-002 – Tracking and recording of capital assets</b>	<p><b>Condition:</b> Capital assets were not tracked and a final detail of capital asset balances owned by Epic was considered to be inaccurate by management.</p> <p><b>Management Response:</b> We agree with the causes and findings as outlined above. We will implement the recommendations of the auditor and ensure the proper controls are in place for Epic.</p>	<b>Resolved</b>
<b>Finding 2021-003 – Monitoring Student Learning Funds</b>	<p><b>Condition:</b> Upon receipt of the Student Learning Funds by Epic, amounts remitted for Student Learning Funds were remitted to EYS and were not monitored by the management of Epic.</p> <p><b>Management Response:</b> We agree with the causes and findings as outlined above. The Student Learning Fund was transitioned to public/school control effective July 1, 2021. All funds are part of the General Fund of Epic, subject to all policies and procedures for School funds.</p>	<b>Resolved</b>

**EPIC ONE-ON-ONE CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
June 30, 2022**

**B. Compliance Findings**

<u>Reference Number</u>	<u>Summary of Finding</u>	<u>Status</u>
<b>Finding 2021-004 – Payments to Epic Youth Services for Administration</b>	<p><b>Condition:</b> EYS charged a standard rate for administrative services of 10% to Epic. These expenses were not itemized on invoices submitted and the costs were estimated by each line item on the invoice.</p> <p><b>Management Response:</b> We agree with the causes and findings as outlined above. The relationship with EYS was terminated on May 26<sup>th</sup>, 2021. Unless ordered by a court, Epic has not and will not pay any invoices to EYS after June 30, 2021.</p>	<b>Resolved</b>         <b>Not Resolved</b>
<b>Finding 2021-005 – Lease commitments exceeding one year</b>	<p><b>Condition:</b> Epic has 4 lease agreements that do not contain mutual ratification of renewal terms that have committed State funds beyond June 30, 2022.</p> <p><b>Management Response:</b> We agree with the causes and findings as outlined above. We will implement the recommendations of the auditor and ensure the proper controls are in place for Epic.</p>	<b>Not Resolved</b>
<b>Finding 2021-006 – Funding diversion from apportioned amounts</b>	<p><b>Condition:</b> Funds earmarked in the budget for certain costs were diverted from the state-approved apportioned expenditures.</p> <p><b>Management Response:</b> We agree with the causes and findings as outlined above. Effective July 1, 2021, neither district will pay costs on behalf of the other district and seek reimbursement. Both districts have their own payroll. The relationship with Epic California was terminated on June 30, 2021.</p>	<b>Resolved</b>
<b>Finding 2021-007 – Compliance with OCAS reporting requirements</b>	<p><b>Condition:</b> Certain expenditures of Epic were not submitted correctly or invoices were submitted for payment that were not correctly itemized so that coding to OCAS codes would have been possible.</p> <p><b>Management Response:</b> We agree with the causes and findings as outlined above. We will implement the recommendations of the auditor and ensure the proper controls are in place for Epic.</p>	<b>Resolved</b>

**EPIC ONE-ON-ONE CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESIONTED COSTS**

**June 30, 2022**

**Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:**

**A. Internal Control**

<b><u>Reference Number</u></b>	<b><u>Summary of Finding</u></b>	<b><u>Status</u></b>
<b>Finding 2021-008 – Proper procurement for contracts</b>	<b>Condition:</b> Prior to July 1, 2021, management did not have a formal bid policy in place for contracts that required formal bids that were consistent with requirements outlined by the Uniform Guidance.  <b>Management Response:</b> We agree with the causes and findings as outlined above. A procurement procedure that meets the requirements outlined by the Uniform Guidance has been in effect since January 2022.	<b>In Process</b>

**B. Compliance Findings**

No findings to report

**EPIC ONE-ON-ONE CHARTER SCHOOLS  
OKLAHOMA COUNTY OKLAHOMA  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2021 TO JUNE 30, 2022**

State of Oklahoma)  
County of Oklahoma)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Epic One-on-One Charter Schools for the audit year July 1, 2021 to June 30, 2022.

Arledge & Associates, P.C.  
Auditing Firm

By

  
Authorized Agent

Subscribed and sworn to before me on this

20 day of SEPTEMBER, 2022

  
NOTARY PUBLIC

My commission expires on:

5 day of MAY, 2026

