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EMPIRE SPRINGS CHARTER SCHOOLS, INC.
A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING TWO CALIFORNIA CHARTER SCHOOLS

Empire Springs Charter School (Charter No. 1592)
Inland Empire Springs Charter School (Charter No. 2146)

CONSOLIDATED AUDIT REPORT

June 30, 2025

858-565-2700
www.cwdl.com

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Empire Springs Charter Schools, Inc.
Temecula, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statement of Empire Springs Charter Schools, Inc. (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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 opinions on the consolidated financial statements as a whole. The accompanying supplementary information listed in the table of contents, including the Consolidated Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary 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 December 3, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.



San Diego, California
December 3, 2025

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS	
Current assets:	
Cash and cash equivalents	$ 24,498,244
Accounts receivable	6,285,990
Prepaid expenses	278,506
Total current assets	31,062,740
Non-current assets:	
Security deposits	19,177
Right-of-use assets, net	1,057,368
Capital assets, net	4,636,019
Total non-current assets	5,712,564
TOTAL ASSETS	36,775,304
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 5,596,036
Deferred revenue	146,647
Compensated absences	102,574
Lease liabilities, current portion	402,481
Total current liabilities	6,247,738
Non-current liabilities:	
Loans payable	13,059,000
Less: unamortized items	(279,769)
Lease liabilities, non-current portion	654,887
Total non-current liabilities	13,434,118
Total liabilities	19,681,856
Net assets:	
Without donor restriction	17,093,448
Total net assets	17,093,448
TOTAL LIABILITIES AND NET ASSETS	$ 36,775,304

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
CONSOLIDATED STATEMENT OF ACTIVITES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2025

SUPPORT AND REVENUES	
Federal and state support revenues:	
Local control funding formula, state aid	$ 26,817,904
Payments in lieu of property taxes	603,310
Federal revenues	800,484
Other state revenues	1,258,084
Total federal and state support and revenues	29,479,782
Local support and revenues:	
Investment income, net	472,595
Other local revenues	5,355,373
Total local support and revenues	5,827,968
TOTAL SUPPORT AND REVENUES	35,307,750
EXPENSES	
Program services	27,147,496
Management and general	6,182,405
TOTAL EXPENSES	33,329,901
CHANGES IN NET ASSETS	1,977,849
NET ASSETS, BEGINNING	15,115,599
NET ASSETS, ENDING	$ 17,093,448

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

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses:			
Certificated salaries	$ 9,880,685	$ 192,675	$ 10,073,360
Classified salaries	1,053,452	503,099	1,556,551
Other employee salaries	1,177,935	211,227	1,389,162
Other employee benefits	4,462,657	408,262	4,870,919
Total personnel expenses	16,574,729	1,315,263	17,889,992
Non-personnel expenses:			
Books and supplies	1,281,426	44,004	1,325,430
Travel and conference	368,267	36,405	404,672
Dues and memberships	17,163	50,033	67,196
Rent	142,552	-	142,552
Insurance	3,313	228,128	231,441
Equipment	739,218	-	739,218
Professional services	5,806,664	1,934,672	7,741,336
Debt service - interest	588,745	-	588,745
Communications	249,818	5,026	254,844
Depreciation	-	128,646	128,646
Interest on lease liabilities	61,309	-	61,309
Amortization	376,082	-	376,082
Operation services	257,332	(560,463)	(303,131)
Meals	186,660	-	186,660
Repairs and maintenance	494,218	-	494,218
Other outgo	-	3,000,691	3,000,691
Total non-personnel expenses	10,572,767	4,867,142	15,439,909
TOTAL EXPENSES	$ 27,147,496	$ 6,182,405	$ 33,329,901

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

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,977,849
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:	
Depreciation	128,646
Interest on lease liability	61,309
Amortization	376,082
(Increase)/Decrease in operating assets	
Accounts receivable	(2,708,083)
Prepaid expenses	(92,766)
Increase/(Decrease) in operating liabilities	
Accounts payable	4,261,000
Deferred revenue	(51,317)
Compensated absences	(6,451)
Net cash provided by/(used in) operating activities	3,946,269
CASH FLOWS FROM INVESTING ACTIVITIES	
Net disposal/(purchase) of capital assets	(4,074,000)
Net cash provided by/(used in) investing activities	(4,074,000)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from loan issuance	13,059,000
Debt issuance costs	(279,769)
Payment of lease liabilities	(437,391)
Net cash provided by/(used in) financing activities	12,341,840
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,214,109
CASH AND CASH EQUIVALENTS, BEGINNING	12,284,135
CASH AND CASH EQUIVALENTS, ENDING	$ 24,498,244

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Empire Springs Charter Schools, Inc. (the "Organization") was formed as a non-profit public benefit corporation on May 10, 2013 for the purpose of operating Empire Springs Charter School ("Empire Springs Charter") a California public charter school located in San Bernardino County. In the 2024-25 school year, the Organization received approval to operate a new additional California public charter school in San Bernardino County, Inland Empire Springs Charter School ("Inland Empire Springs Charter") in addition to the Empire Springs Charter. The Organization now operates these two public charter schools within San Bernardino County.

Empire Springs Charter was authorized by Helendale School District in May 2013 for an initial five-year charter term ended June 30, 2018. The Empire Springs Charter was then numbered by the State Board of Education in July 2013 as California Charter No. 1592. The charter term has been renewed by Helendale School District and the current charter term expires June 30, 2028. Empire Springs Charter provides a nonclassroom-based educational program offering Homeschool, Arrow, Connections and Venture subprograms. Funding sources primarily consist of state apportionments and grants, local in lieu of property tax revenues, federal grants, and grants and donations from the public. During the year ended June 30, 2025, Empire Springs Charter served approximately 1,854 students in grades TK to 12.

Inland Empire Springs Charter was authorized by the San Bernardino County Board of Education in 2023 for an initial five-year charter term beginning July 1, 2024 and ending June 30, 2029. Inland Empire Springs Charter was then numbered by the State Board of Education in March 2024 as California Charter No. 2146. Inland Empire Springs Charter provides two educational programs: Homeschool and the Rancho Cucamonga seat-based Student Center. Funding sources primarily consist of state apportionments and grants, federal grants, and grants and donations from the public. During the year ended June 30, 2025, Inland Empire Springs Charter served approximately 323 students in grades TK to 8.

Other Related Entities

Empire Springs Facilities LLC (LLC I) is a California limited liability company whose sole member is the Organization. On October 7, 2024, LLC I was organized exclusively for charitable purposes as specified in the *Internal Revenue Code*, as amended, and the *California Revenue & Taxation Code* Section 214. LLC I was organized with the purpose of holding title to certain school facilities financed with the proceeds of the 2024 Alliance Loan (see Note 11) and leased to the Organization.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Accounting

The Organization'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.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2025, the Organization did not have net assets with donor restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities and changes in net assets.

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.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel costs and occupancy expenses are allocated based on time and effort. The financial statements also report categories of expenses that are attributed to program service activities or supporting services activities. These expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

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.

Payments in Lieu of Property Taxes

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 the Organization. Revenues are recognized by the Organization when earned.

Cash and Cash Equivalents

The Organization considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Organization'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 consolidated statement of activities and changes in net assets.

Accounts Receivable

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. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2025, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

Prepaid Expenses

Prepaid expenses are recorded at the carrying amounts as of the financial position date. Prepaid expenses are expenses made in advance of when the economic benefit of the cost will be realized, and which will be expensed in future periods with the passage of time or when a triggering event occurs.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Right-of-Use Assets and Lease Liabilities

The Organization has recorded Right-of-Use ("ROU") assets and lease liabilities as a result of implementing the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-09, *Leases* (Topic 842). ROU assets represents the right to use an underlying asset for the lease term and lease liabilities represents the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date and are based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, a risk-free rate is utilized in lieu of determining an incremental borrowing rate at the commencement date in deciding the present value of lease payments. The ROU assets also include any lease payments made and exclude lease incentives. Amortization expense is recognized on a straight-line basis over the lease term. Lease agreements with lease and non-lease components are generally accounted for separately.

Capital Assets

The Organization 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 unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or is requiring the Organization to hold the asset for a specified period of time. Capital assets are depreciated using the straight-line method over the estimated useful life of the depreciable assets. The land improvements, building and improvements have an estimated useful life of 15 years, furniture and equipment have an estimated useful life of 7 years.

Accounts payable

Accounts payable are amounts owed to vendors or suppliers for services incurred for which payment is made in a timely manner and in full, from current financial resources.

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 consolidated statement of financial position and revenue is recognized.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absences liability is reported on the consolidated statement of financial position. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

The Organization receives Federal, State and local revenues for their various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. Amounts received from the California Department of Education are recognized as revenue by the Organization based on the average daily attendance of students. Unearned revenue is recorded to the extent cash received on grants exceeds qualified expenses. Some government grants are based on reimbursable costs as defined by the grants. Reimbursements recorded under these grants are subject to audit by the granting agency. Management believes that no material adjustments will result from subsequent audits of costs reflected in the accompanying financial statements. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Donor restricted revenues whose restrictions are met in the same reporting period are reported as support without donor restrictions.

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.

Income Taxes

The Organization 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 Organization is exempt from state franchise or income tax under Section 23701(d) of the *California Revenue and Taxation Code*. As a school, the Organization is not required to register with the California Attorney General as a charity.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes, continued

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2025, consist of the following:

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter	Empire Springs Charter Schools, Inc.
Cash in banks, interest bearing	$ 14,022,915	$ 8,723,715	$ 1,751,614	$ 24,498,244
Total Cash and Cash Equivalents	$ 14,022,915	$ 8,723,715	$ 1,751,614	$ 24,498,244

Cash in Banks

Custodial Credit Risk
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 Organization's deposits are fully collateralized in the bank's governmental unit, thus, management believes the Organization is not exposed to any significant custodial credit risk related to cash in banks.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date. Amounts not available include amounts set aside for program services that could be drawn upon if the Board of Directors approves that action.

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter	Empire Springs Charter Schools, Inc.
Financial assets, at year-end:				
Cash and cash equivalents	$ 14,022,915	$ 8,723,715	$ 1,751,614	$ 24,498,244
Accounts receivable	4,814,991	-	1,470,999	6,285,990
Financial assets available to meet cash needs for general expenditures within one year	$ 18,837,906	$ 8,723,715	$ 3,222,613	$ 30,784,234

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2025, consists of the following:

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter	Empire Springs Charter Schools, Inc.
Federal sources	$ 316,612	$ -	$ -	$ 316,612
State lottery apportionment	266,015	-	-	266,015
Other state sources	59,728	-	89,833	149,561
LCFF - EPA	3,296,240	-	310,067	3,606,307
LCFF - local property taxes	51,764	-	220,413	272,177
Due from affiliates*	210,798	-	799,080	1,009,878
Other local sources	264,721	-	51,606	316,327
Due from LLC	349,113	-	-	349,113
Total Accounts Receivable	$ 4,814,991	$ -	$ 1,470,999	$ 6,285,990

*Refer to Note 8 regarding related party transactions.

NOTE 5 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2025, consists of the following:

Empire Springs Charter Schools, Inc.	**Balance July 1, 2024**	**Additions**	**Deductions**	**Balance June 30, 2025**
Capital Assets not Being Depreciated				
Land	$ 8,700	$ 3,000,000	$ -	$ 3,008,700
Total Capital Assets not Being Depreciated	8,700	3,000,000	-	3,008,700
Capital Assets Being Depreciated				
Land improvements	46,406	-	-	46,406
Buildings and improvements	811,673	1,074,000	-	1,885,673
Furniture and equipment	271,876	-	-	271,876
Total Capital Assets Being Depreciated	1,129,955	1,074,000	-	2,203,955
Less: Accumulated Depreciation	447,990	128,646	-	576,636
Capital Assets, Net	$ 690,665	$ 3,945,354	$ -	$ 4,636,019

Empire Springs Charter	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Capital Assets not Being Depreciated				
Land	$ 8,700	$ -	$ -	$ 8,700
Total Capital Assets not Being Depreciated	8,700	-	-	8,700
Capital Assets Being Depreciated				
Land improvements	46,406	-	-	46,406
Buildings and improvements	811,673	-	-	811,673
Furniture and equipment	271,876	-	-	271,876
Total Capital Assets Being Depreciated	1,129,955	-	-	1,129,955
Less: Accumulated Depreciation	447,990	111,580	-	559,570
Capital Assets, Net	$ 690,665	$ (111,580)	$ -	$ 579,085

NOTE 5 – CAPITAL ASSETS, continued

A summary of activity related to capital assets during the year ended June 30, 2025, consists of the following, continued:

Empire Springs Facilities LLC	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Capital Assets not Being Depreciated				
Land	$ -	$ 3,000,000	$ -	$ 3,000,000
Total Capital Assets not Being Depreciated	-	3,000,000	-	3,000,000
Capital Assets Being Depreciated				
Buildings and improvements	-	1,074,000	-	1,074,000
Total Capital Assets Being Depreciated	-	1,074,000	-	1,074,000
Less: Accumulated Depreciation	-	17,066	-	17,066
Capital Assets, Net	$ -	$ 4,056,934	$ -	$ 4,056,934

NOTE 6 – LEASES

The Organization leases certain real property for the operation of charter schools with various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through year 2028 and provide renewal options. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The agreements generally require the Organization to pay insurance and repairs.

The Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate.

The Organization has elected the short-term lease exemption for all leases with a term of twelve (12) months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The Organization has real property short term lease agreements for the year ended June 30, 2025.

The Organization elected the practical expedient to not separate lease and non-lease components for real estate leases.

Total lease costs for the year ended June 30, 2025 were as follows:

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter	Total
Operating lease cost	$ 437,931	$ -	$ -	$ 437,931

The following table summarizes the supplemental cash flow information for the year ended June 30, 2025:

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter	Total
Operating cash flows from operating leases	$ 437,391	$ -	$ -	$ 437,391

NOTE 6 – LEASES, continued

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter
Weighted-average remaining lease term:			
Operating leases	2.83 years	N/A	N/A
Weighted-average discount rate:			
Operating leases	5%	N/A	N/A

The future minimum lease payments under non-cancelable operating leases with terms greater than one year are listed below as of June 30, 2025.

	Empire Springs Charter
Year Ending June 30,	Operating lease
2026	$ 402,481
2027	395,499
2028	333,388
Total lease payments	1,131,368
Less interest	(74,000)
Present value of lease liabilities	$ 1,057,368

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2025, consists of the following:

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter	Empire Springs Charter Schools, Inc.
Vendor payables	$ 1,864,114	$ -	$ 107,603	$ 1,971,717
Accrued payroll expenses	121,207	-	13,745	134,952
Due to affiliates*	3,409,979	-	79,388	3,489,367
Total Accounts Payable	$ 5,395,300	$ -	$ 200,736	$ 5,596,036

*Refer to Note 8 regarding related party transactions.

NOTE 8 – RELATED PARTY TRANSACTIONS

Authorizing Agency

Empire Springs Charter makes payments to the authorizing agency, Helendale School District, to provide required service oversight. Fees associated with oversight consisted of one percent of revenue from local control funding formula sources. Total fees paid to the authorizing agency for oversight amounted to $284,180 for the year ended June 30, 2025, respectively. No payments were made for other services during these years.

Inland Empire Springs Charter makes payments to the authorizing agency, San Bernardino County Office of Education, to provide required service oversight. Fees associated with oversight consisted of one percent of revenue from local control funding formula sources. Total fees paid to the authorizing agency for oversight amounted to $38,192 for the year ended June 30, 2025.

Affiliated Organizations

The Organization holds memorandums of understanding (MOUs) with River Springs Charter School, Harbor Springs Charter School, Vista Springs Charter School, Pacific Springs Charter School, and Citrus Springs Charter School. In connection with the MOUs, the Organization shares employees in senior leadership positions. Salaries and benefits are proportionately shared and paid directly by each of the charter schools to the employees. Senior leadership includes Assistant Superintendents for the following departments: Business, Administrative Operations, Personnel, Pupil Services, Education-Academies, Homeschool/Personalized Learning, and IT/Facilities. The Superintendent's contract is separately approved by each charter school's Board of Directors. The MOUs also allow for on-loan employees excluding supervising teachers. All charter schools are operated by separate nonprofit organizations with no common members of the board. Additionally, the Organization utilizes Springs Charter Schools, Inc. for professional development.

As of June 30, 2025, $1,009,878 was due to the Organization from the affiliate organizations and $3,489,367 was due to affiliates from the Organization as a result of certain shared operational costs, respectively.

NOTE 9 – NET ASSETS

Without Donor Restrictions

Net assets without donor restrictions were categorized as follows as of June 30, 2025:

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter	Empire Springs Charter Schools, Inc.
Net investment in capital assets	$ 579,085	$ -	$ -	$ 579,085
Nonspendable items - deposits	19,177	-	-	19,177
Undesignated net assets	13,440,412	1,418	3,053,356	16,495,186
Total Net Assets Without Donor Restrictions	$ 14,038,674	$ 1,418	$ 3,053,356	$ 17,093,448

NOTE 10 – DONATED MATERIALS AND SERVICES

During the year ended June 30, 2025, many parents, administrators and other individuals donated significant amounts of time and services to the Organization in an effort to advance the Organization's programs and objectives. These services have not been recorded in the Organization's financial statements because they do not meet the criteria required by generally accepted accounting principles.

NOTE 11 – LOANS PAYABLE

On November 1, 2024, the Organization entered into a loan agreement with Western Alliance Business Trust, a wholly owned affiliate of Western Alliance Bank, for a principal amount of up to $13,059,000 to finance facility projects. The loan is payable directly to the lender under terms specified in the agreement, including principal, interest, and additional payments.

Expected future payments of principal and interest in the outstanding balance are as follows:

	2024 Alliance Loan		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2026	$ -	$ 929,801	$ 929,801
2027	-	929,801	929,801
2028	136,000	927,416	1,063,416
2029	247,000	912,161	1,159,161
2030	266,000	893,963	1,159,963
2030 - 2032	12,410,000	1,232,644	13,642,644
Total	$ 13,059,000	$ 5,825,786	$ 18,884,786

NOTE 12 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code* 47605, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Organization has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and non-certificated employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Organization contributes to the California State Teachers' Retirement System (CalSTRS), a cost sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, California 95826 or www.calstrs.com.

California State Teachers' Retirement System (CalSTRS), continued

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The required employer contribution rate for fiscal year 2025 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization's contributions to CalSTRS for the last five fiscal years were as follows:

	Contribution	Percent of Required Contribution
2024-25	$ 2,558,815	100%
2023-24	$ 1,934,577	100%
2022-23	$ 1,893,081	100%
2021-22	$ 1,467,984	100%
2020-21	$ 1,261,128	100%

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for the Organization which is computed as the proportionate share of total fiscal year 2025 State on-behalf contributions is estimated at $639,945.

NOTE 11 – EMPLOYEE RETIREMENT PLANS, continued

California Public Employees' Retirement System (CalPERS)

Plan Description

The Organization contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811 or www.calpers.ca.gov.

Funding Policy

Active plan members, who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 8.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2025 was 27.05%. The contribution requirements of the plan members are established by state statute. The Organization's contributions to CalPERS for the last five fiscal years were as follows:

	Contribution	Percent of Required Contribution
2024-25	$ 854,700	100%
2023-24	$ 667,828	100%
2022-23	$ 685,163	100%
2021-22	$ 526,905	100%
2020-21	$ 385,855	100%

Alternative Plan

As established by federal law, all public-sector employees who are not members of their employer's existing retirement plan (CalSTRS or CalPERS) must be covered by an alternative plan. The Organization offers social security as its alternative plan.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

The Organization 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.

Joint Powers Agency (JPA)

During the year ended June 30, 2025, the Organization participated in a joint venture with CharterSafe. CharterSafe arranges for insurance coverage related to property, general liability, worker's compensation, and other miscellaneous liability coverage specific to operation of a charter school. The relationship between the Organization and the JPA is such that the JPA is not financially inter-related to the Organization for financial reporting purposes.

Multi-employer Defined Benefit Plan Participation

Under current law on multi-employer defined benefit plans, the Organization's voluntary withdrawal from any underfunded multi-employer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Organization's proportionate share of the multi-employer plan's unfunded vested liabilities. CalSTRS has estimated that the Organization's share of withdrawal liability is $6,907,716 or a proportionate share of 0.01029% as of June 30, 2025. Also, as of June 30, 2025, CalPERS has estimated the Organization's share of withdrawal liability to be $4,462,143 or a proportionate share of 0.012485%. The Organization does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 12 for additional information on employee retirement plans.

Outstanding Construction Commitments

As of June 30, 2025, the Organization had no outstanding commitments with regard to construction projects.

Litigation

The Organization 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 Organization at June 30, 2025.

NOTE 14 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for the period from June 30, 2025, through December 3, 2025, the date the financial statements were available to be issued. There were no subsequent events identified that warranted disclosure.

SUPPLEMENTARY INFORMATION

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Grants to Local Educational Agencies	84.010A	14329	$ 328,976
Title II, Part A, Supporting Effective Instruction State Grants	84.367A	14341	47,157
Title III, Immigrant Student Program	84.365	15146	630
Title IV, Student Support and Academic Enrichment Program	84.424	15396	23,258
Special Education Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	257,494
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	20,046
Subtotal Special Education Cluster			277,540
Total U. S. Department of Education			677,561
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Agriculture:			
National School Lunch Program	10.555	13396	122,923
Total U. S. Department of Agriculture			122,923
Total Federal Expenditures			$ 800,484

See accompanying note to supplementary information.

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter	Consolidated Total
Current assets:				
Cash and cash equivalents	$ 14,022,915	$ 8,723,715	$ 1,751,614	$ 24,498,244
Accounts receivable	4,814,991	-	1,470,999	6,285,990
Prepaid expenses	244,306	-	34,200	278,506
Total current assets	19,082,212	8,723,715	3,256,813	31,062,740
Non-current assets:				
Security deposits	19,177	-	-	19,177
Right-of-use asset, net	1,057,368	-	-	1,057,368
Capital assets, net	579,085	4,056,934	-	4,636,019
Total non-current assets	1,655,630	4,056,934	-	5,712,564
TOTAL ASSETS	$ 20,737,842	$ 12,780,649	$ 3,256,813	$ 36,775,304
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 5,395,300	$ -	$ 200,736	$ 5,596,036
Deferred revenue	146,647	-	-	146,647
Compensated absences	99,853	-	2,721	102,574
Lease liabilities, current portion	402,481	-	-	402,481
Total current liabilities	6,044,281	-	203,457	6,247,738
Non-current liabilities:				
Loans payable	-	13,059,000	-	13,059,000
Less: unamortized items	-	(279,769)	-	(279,769)
Lease liabilities, non-current portion	654,887	-	-	654,887
Total non-current liabilities	654,887	12,779,231	-	13,434,118
Total liabilities	6,699,168	12,779,231	203,457	19,681,856
Net assets:				
Without donor restriction	14,038,674	1,418	3,053,356	17,093,448
Total net assets	14,038,674	1,418	3,053,356	17,093,448
TOTAL LIABILITIES AND NET ASSETS	$ 20,737,842	$ 12,780,649	$ 3,256,813	$ 36,775,304

See accompanying note to supplementary information.

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2025

	Empire Springs Charter	Empire Springs Facilities LLC	Inland Empire Springs Charter	Eliminations	Consolidated Total
SUPPORT AND REVENUES					
Federal and state support revenues:					
Local control funding formula, state aid	$ 23,222,763	$ -	$ 3,595,141	$ -	$ 26,817,904
Payment in lieu of property taxes	379,172	-	224,138	-	603,310
Federal revenues	800,484	-	-	-	800,484
Other state revenues	1,148,407	-	109,677	-	1,258,084
Total federal and state support and revenues	25,550,826	-	3,928,956	-	29,479,782
Local support and revenues					
Investment income, net	403,354	46,766	22,475	-	472,595
Rental income	-	560,463	-	(560,463)	-
Other local revenues	1,798,309	-	3,557,064	-	5,355,373
Total local support and revenues	2,201,663	607,229	3,579,539	(560,463)	5,827,968
TOTAL SUPPORT AND REVENUES	27,752,489	607,229	7,508,495	(560,463)	35,307,750
EXPENSES					
Program services	22,516,776	588,745	4,041,975	-	27,147,496
Management and general	6,312,638	17,066	413,164	(560,463)	6,182,405
TOTAL EXPENSES	28,829,414	605,811	4,455,139	(560,463)	33,329,901
CHANGES IN NET ASSETS	(1,076,925)	1,418	3,053,356	-	1,977,849
NET ASSETS, BEGINNING	15,115,599	-	-	-	15,115,599
NET ASSETS, ENDING	$ 14,038,674	$ 1,418	$ 3,053,356	$ -	$ 17,093,448

See accompanying note to supplementary information.

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
CHARTER ORGANIZATIONAL STRUCTURE
FOR THE YEAR ENDED JUNE 30, 2025

GOVERNING BOARD

Name	Office	Term Expiration
Stephanie Vargas	Chair	June 30, 2025
Marlene Darrow	Vice Chair	June 30, 2027
Chuck Vela	Treasurer	June 30, 2027
Jennifer Araiza	Secretary	June 30, 2027
Ivo Caouette	Director	June 30, 2025
Dianne Mendez	Director	June 30, 2025
Craig Schneider*	Director	N/A

ADMINISTRATION

Dr. Kathleen Hermsmeyer *Superintendent*	Amy Podratz *Assistant Supt., Administrative Operations*	Tanya Rogers *Assistant Supt., Business*
Dr. Vivian Price *Assistant Supt., Education*	Michelle Sapanara *Assistant Supt., Pupil Services*	Virginia Smith *Assistant Supt., Human Resources*

**Appointed by the authorizer, does not have a term end date.*

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2025

	Empire Springs Charter		Inland Empire Springs Charter		Empire Springs Charter Schools, Inc.	
	Second Period Report	Annual Report	Second Period Report	Annual Report	Second Period Report	Annual Report
Non-Classroom Based ADA:						
Grades TK/K through 3	617.97	598.07	-	-	617.97	598.07
Grades 4 through 6	411.22	397.30	-	-	411.22	397.30
Grades 7 and 8	361.43	341.10	-	-	361.43	341.10
Grades 9 through 12	479.04	463.96	39.71	41.61	518.75	505.57
Total ADA Nonclassroom-Based	1,869.66	1,800.43	39.71	41.61	1,909.37	1,842.04
Classroom Based ADA:						
Grades TK/K through 3	-	-	124.28	123.77	124.28	123.77
Grades 4 through 6	-	-	84.47	83.88	84.47	83.88
Grades 7 and 8	-	-	50.46	50.95	50.46	50.95
Total ADA Nonclassroom-Based	-	-	259.21	258.60	259.21	258.60
Average Daily Attendance Total	1,869.66	1,800.43	298.92	300.21	2,168.58	2,100.64

See accompanying note to supplementary information.

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2025

Inland Empire Springs Charter					
		2024-25	Number of Days		
Grade Level	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	Status
Kindergarten	36,000	55,370	175	N/A	Complied
Grade 1	50,400	55,370	175	N/A	Complied
Grade 2	50,400	55,370	175	N/A	Complied
Grade 3	50,400	55,370	175	N/A	Complied
Grade 4	54,000	55,370	175	N/A	Complied
Grade 5	54,000	55,370	175	N/A	Complied
Grade 6	54,000	55,370	175	N/A	Complied
Grade 7	54,000	55,370	175	N/A	Complied
Grade 8	54,000	55,370	175	N/A	Complied

Empire Springs Charter doesn't offer in-person sessions, instruction time schedules are not required.

See accompanying note to supplementary information.

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2025

There were no reconciling items to the audited financial statements for the year ended June 30, 2025.

NOTE 1 - PURPOSE OF SCHEDULES

A. Consolidated Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying Schedule of Expenditures of Federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The Organization has not elected to use the ten percent de minimis cost rate.

B. Consolidating Statement of Financial Position and Consolidating Statement of Activities and Changes in Net Assets

The Consolidating Statement of Financial Position and Consolidating Statement of Activities and Changes in Net Assets report the activities of the Organization and are presented on the accrual basis of accounting. Eliminating entries in the Consolidating Statement of Financial Position and Consolidating Statement of Activities and Changes in Net Assets are for activities between the Organization and the related entities.

C. Charter Organizational Structure

This schedule provides information about the Organization's authorizing agency, grades served, members of the governing body, and members of the administration.

D. Schedule of Average Daily Attendance (ADA)

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.

E. Schedule of Instructional Time

The Organization receives, as part of their local control funding formula sources, incentive funding for maintaining instructional time. This schedule presents information on the number of instructional days offered by the Organization and whether the Organization complied with the provisions of *Education Code Section* 47612.5.

NOTE 1 - PURPOSE OF SCHEDULES, continued

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

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

OTHER INDEPENDENT AUDITORS' REPORTS

CWDL

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Empire Springs Charter Schools, Inc.
Temecula, 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 consolidated financial statement of Empire Springs Charter Schools, Inc. (the "Organization") as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 3, 2025.

Report on Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 or significant deficiencies. 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 Organization'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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 3, 2025

CWDL

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

To the Board of Directors
Empire Springs Charter Schools, Inc.
Temecula, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Empire Springs Charter Schools, Inc. (the "Organization") compliance with the types of compliance requirements identified as subject to an audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2025. The Organization's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization 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, 2025.

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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the Organization'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 the Organization's federal programs.

Auditors' 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 the Organization'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 GAAS, *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 the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Organization'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 Organization'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 or significant deficiencies 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



San Diego, California
December 3, 2025

CWDL

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAM

To the Board of Directors
Empire Springs Charter Schools, Inc.
Temecula, California

Report on State Compliance

Opinion on State Compliance

We have audited Empire Springs Charter Schools, Inc. (the "Organization") compliance with the types of compliance requirements described in the *2024-25 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 the Organization's state programs for the fiscal year ended June 30, 2025, as identified below.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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. Our audit does not provide a legal determination of the Organization'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 the Organization's compliance with the requirements described in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Auditors' 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 the Organization'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 GAAS, *Government Auditing Standards*, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a 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 the Organization's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS*, Government Auditing Standards,* and *the 2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 the Organization'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 the Organization'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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine the Organization's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools:	
T. Proposition 28 Arts and Music in Schools	Yes
U. After/Before School Education and Safety Program	Not applicable
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study-Coursed Based	Not applicable
Z. Immunizations	Not applicable
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G)	Not applicable
CZ. Career Technical Education Incentive Grant	Not applicable
DZ. Expanded Learning Opportunities Program	Not applicable
EZ. Transitional Kindergarten	Not applicable
FZ. Kindergarten Continuance	Yes

PROGRAM NAME	PROCEDURES PERFORMED
Charter Schools:	
AA. Attendance	Yes
BB. Mode of Instruction	Not applicable
CC. Nonclassroom-Based Instruction/Independent Study	Not applicable
DD Determination of Funding for Nonclassroom-Based Instruction	Yes
EE. Annual Instructional Minutes - Classroom Based	Not applicable
FF. Charter School Facility Grant Program	Not applicable

The term not applicable above is used to mean the Organization did not offer the program during the fiscal year or did not receive any funding for the program.

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

Report on Internal Control over Compliance

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 3, 2025

FINDINGS AND QUESTIONED COSTS SECTION

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	No
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

FIVE DIGIT CODE	AB3627 FINDING TYPES
20000	Inventory of Equipment
30000	Internal Control

There were no audit findings related to the financial statements during fiscal year 2025.

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

FIVE DIGIT CODE	AB3627 FINDING TYPES
50000	Federal Compliance

There were no audit findings and questioned costs related to federal awards during fiscal year 2025.

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

FIVE DIGIT CODE	AB3627 FINDING TYPES
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Program
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no audit findings and questioned costs related to state awards during fiscal year 2025.

EMPIRE SPRINGS CHARTER SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

There were no audit findings and questioned costs during fiscal year 2023-24.