

BAYPOINT PREPARATORY ACADEMY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2019

OPERATING:

**BAYPOINT PREPARATORY ACADEMY – HEMET (#1756)
BAYPOINT PREPARATORY ACADEMY – SAN DIEGO (#1966)**



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**BAYPOINT PREPARATORY ACADEMY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Baypoint Preparatory Academy
Hemet, California

Report on the Financial Statements

We have audited the accompanying financial statements of Baypoint Preparatory Academy (the Academy), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Academy as of June 30, 2019, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Academy's financial statements as a whole. The Hemet, San Diego and Eliminations columns in the statement of financial position, activities and cash flows as well as the accompanying supplementary schedules are presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2019 on our consideration of the Academy'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 on the Academy'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 Academy's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
December 15, 2019

**BAYPOINT PREPARATORY ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS	<u>Hemet</u>	<u>San Diego</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 148,964	\$ 36,913	\$ -	\$ 185,877
Accounts Receivable - Federal and State	535,578	258,916	-	794,494
Prepaid Expenses and Other Assets	32,018	85,881	-	117,899
Total Current Assets	<u>716,560</u>	<u>381,710</u>	<u>-</u>	<u>1,098,270</u>
LONG-TERM ASSETS				
Intercompany Note Receivable	128,814	-	(128,814)	-
Property, Plant, and Equipment, Net	177,659	80,753	-	258,412
Total Long-Term Assets	<u>306,473</u>	<u>80,753</u>	<u>(128,814)</u>	<u>258,412</u>
Total Assets	<u>\$ 1,023,033</u>	<u>\$ 462,463</u>	<u>\$ (128,814)</u>	<u>\$ 1,356,682</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 256,906	\$ 265,104	\$ -	\$ 522,010
Revolving Loan Payable, Current Portion	50,000	-	-	50,000
Factored Receivables	286,786	-	-	286,786
Total Current Liabilities	<u>593,692</u>	<u>265,104</u>	<u>-</u>	<u>858,796</u>
LONG-TERM LIABILITIES				
Deferred Rent Liability	118,125	-	-	118,125
Revolving Loan Payable	100,004	-	-	100,004
Intercompany Note Payable	-	128,814	(128,814)	-
Total Long-Term Liabilities	<u>218,129</u>	<u>128,814</u>	<u>(128,814)</u>	<u>218,129</u>
NET ASSETS				
Without Donor Restriction	171,692	68,545	-	240,237
With Donor Restriction	39,520	-	-	39,520
Total Net Assets	<u>211,212</u>	<u>68,545</u>	<u>-</u>	<u>279,757</u>
Total Liabilities and Net Assets	<u>\$ 1,023,033</u>	<u>\$ 462,463</u>	<u>\$ (128,814)</u>	<u>\$ 1,356,682</u>

See accompanying Notes to Financial Statements.

**BAYPOINT PREPARATORY ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>Hemet</u>	<u>San Diego</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTION			
REVENUE			
State Revenue:			
State Aid	\$ 3,559,894	\$ 484,177	\$ 4,044,071
Other State Revenue	765,908	56,616	822,524
Federal Revenue:			
Grants and Entitlements	239,718	476,545	716,263
Local Revenue:			
In-Lieu Property Tax Revenue	606,899	169,699	776,598
Contributions	14,630	116,802	131,432
Investment Income	-	985	985
Other Revenue	17,916	20,117	38,033
Total Revenues	<u>5,204,965</u>	<u>1,324,941</u>	<u>6,529,906</u>
EXPENSES			
Program Services	5,335,192	983,325	6,318,517
Management and General	823,302	164,514	987,816
Total Expenses	<u>6,158,494</u>	<u>1,147,839</u>	<u>7,306,333</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	(953,529)	177,102	(776,427)
NET ASSETS WITH DONOR RESTRICTION			
REVENUES			
Other State Revenue	<u>39,520</u>	<u>-</u>	<u>39,520</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTION			
NET ASSETS	<u>39,520</u>	<u>-</u>	<u>39,520</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,125,221</u>	<u>(108,557)</u>	<u>1,016,664</u>
NET ASSETS - END OF YEAR	<u>\$ 211,212</u>	<u>\$ 68,545</u>	<u>\$ 279,757</u>

See accompanying Notes to Financial Statements.

**BAYPOINT PREPARATORY ACADEMY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	<u>Hemet</u>	<u>San Diego</u>	<u>Eliminations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ (914,009)	\$ 177,102	\$ -	\$ (736,907)
Adjustments to Reconcile Change in Net Assets to Net Cash				
Provided by Operating Activities:				
Depreciation	68,601	5,521	-	74,122
Loss on Disposals	972,545	-	-	972,545
Change in Operating Assets:				
Accounts Receivable - Federal and State	43,184	(258,916)	-	(215,732)
Prepaid Expenses and Other Assets	63,896	(85,059)	-	(21,163)
Change in Operating Liabilities:				
Accounts Payable and Accrued Liabilities	59,083	198,885	-	257,968
Deferred Rent Liability	(37,657)	-	-	(37,657)
Net Cash Provided by Operating Activities	<u>255,643</u>	<u>37,533</u>	<u>-</u>	<u>293,176</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property, Plant, and Equipment	<u>(330,945)</u>	<u>(67,051)</u>	<u>-</u>	<u>(397,996)</u>
Net Cash Used by Investing Activities	<u>(330,945)</u>	<u>(67,051)</u>	<u>-</u>	<u>(397,996)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Intercompany Note Receivable	(128,814)	-	-	(128,814)
Intercompany Note Payable	-	128,814	-	128,814
Proceeds from Debt	286,787	-	-	286,787
Repayments of Debt	<u>(215,373)</u>	<u>(101,000)</u>	<u>-</u>	<u>(316,373)</u>
Net Cash Provided (Used) by Financing Activities	<u>(57,400)</u>	<u>27,814</u>	<u>-</u>	<u>(29,586)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS				
	(132,702)	(1,704)	-	(134,406)
Cash and Cash Equivalents, Beginning of Year	<u>281,666</u>	<u>38,617</u>	<u>-</u>	<u>320,283</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 148,964</u>	<u>\$ 36,913</u>	<u>-</u>	<u>\$ 185,877</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid for Interest	<u>\$ 41,710</u>	<u>\$ 25,764</u>	<u>-</u>	<u>\$ 67,474</u>

See accompanying Notes to Financial Statements.

**BAYPOINT PREPARATORY ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Total Expenses
Salaries and Wages	\$ 3,151,052	\$ 305,364	\$ 3,456,416
Other Employee Benefits	591,872	57,357	649,229
Payroll Taxes	233,658	22,643	256,301
Management Fees	-	48,881	48,881
Legal Expenses	-	89,147	89,147
Accounting Expenses	-	16,025	16,025
Instructional Materials	96,262	-	96,262
Other Fees for Services	224,605	164,880	389,485
Information Technology Expenses	6,885	1,700	8,585
Occupancy Expenses	812,870	102,976	915,846
Travel Expenses	23,063	23,062	46,125
Interest Expense	-	67,474	67,474
Depreciation Expense	74,122	-	74,122
Insurance Expense	-	40,901	40,901
Loss of Disposal of Property, Plant and Equipment	972,545	-	972,545
Other Expenses	131,583	47,406	178,989
Total	<u>\$ 6,318,517</u>	<u>\$ 987,816</u>	<u>\$ 7,306,333</u>

See accompanying Notes to Financial Statements.

**BAYPOINT PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Academy is a nonprofit benefit corporation under the laws of the state of California for the purpose of managing and operating public charter schools located in Hemet and San Diego, California. The Academy is economically dependent on state and federal funding.

The charter may be revoked by the State Board of Education (Sponsor) for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the Academy's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Cash and Cash Equivalents

The Academy defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**BAYPOINT PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

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

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

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

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2019. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

Revenue Recognition

Amounts received from the California Department of Education are recognized as revenue by the Academy based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restriction. Restricted contributions that are received and released in the same period are reported as increases to net assets without donor restriction. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**BAYPOINT PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the Academy is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Income Taxes

The Academy is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. The Academy is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Academy files an exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Academy has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Evaluation of Subsequent Events

The Academy has evaluated subsequent events through December 15, 2019, the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

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

	Amount
Cash and Cash Equivalents	\$ 185,877
Accounts Receivable - Federal and State	794,494
Donor Restricted Net Assets	(39,520)
Total	\$ 940,851

**BAYPOINT PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

As part of the Academy's liquidity management plan, the Schools monitors liquidity required and cash flows to meet operating needs on a monthly basis. The Schools structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CONCENTRATION OF CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy maintains bank accounts with one institution, certain of which are interest bearing. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2019, none of the Academy's bank balances were exposed to any such credit risk.

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Academy capitalizes all expenditures for land, buildings and equipment in excess of \$1,000. Depreciation expense was \$74,122 as of June 30, 2019.

The components of property, plant, and equipment as of June 30, 2019 are as follows:

Building Improvements	\$ 23,239
Construction in Progress	53,147
Equipment, Furniture and Fixtures	<u>379,876</u>
Total	456,262
Less: Accumulated Amortization	<u>(197,850)</u>
Total Property, Plant, and Equipment	<u><u>\$ 258,412</u></u>

NOTE 5 OPERATING LEASES

Baypoint Preparatory Academy - Hemet leases its facilities under a lease agreement expiring in 2021. Lease expense under this agreement for the year ended June 30, 2019 was \$328,740 under straight-line. Actual cash rent for the year was \$369,600.

Baypoint Preparatory Academy - San Diego leases its facilities under a lease agreement that is month to month. Lease expense under this agreement for the year ended June 30, 2019 was \$185,688. Baypoint Preparatory – San Diego entered into a lease agreement in August 2019 and the term ends in July 2028.

**BAYPOINT PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 OPERATING LEASES (CONTINUED)

Future minimum lease payments are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2020	\$ 771,958
2021	493,811
2022	481,436
2023	573,436
2024	611,667
Thereafter	<u>2,299,258</u>
Total	<u><u>\$ 5,231,566</u></u>

NOTE 6 FACTORED RECEIVABLES

The Academy has entered into an agreement to factor attendance and grant receivables. The amount of factored receivables due at June 30, 2019 was \$286,786.

NOTE 7 RELATED PARTY TRANSACTION

In June 2018, the Academy entered into a \$165,337 promissory note with Nancy Spencer, the Executive Director. The note has a 10% interest rate and was paid in full in the year ended June 30, 2019.

NOTE 8 REVOLVING LOAN

In September 2016, the Academy received a revolving loan from the California Department of Education (CDE) in the amount of \$250,000. The loan requires annual principal payments of \$50,000. The loan has a term of 5 years and carries an interest rate of .62%. Annual payments of principal and interest are deducted from the Academy's apportionment.

The loan repayment is as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2020	\$ 50,000
2021	50,000
2022	50,004
Total	<u><u>\$ 150,004</u></u>

**BAYPOINT PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 CONTINGENCIES

The Academy 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 disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

NOTE 10 FUNCTIONALIZED EXPENSES

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. The expenses that are allocated include other employee benefits, payroll taxes, travel expenses, and internet expenses which are allocated on the basis of estimates of time and effort.

NOTE 11 BAYPOINT PREPARATORY ACADEMY – SAN DIEGO

The Academy was granted charter #1966 to open a Charter School in San Diego, California on August 1, 2018.

SUPPLEMENTARY INFORMATION

**BAYPOINT PREPARATORY ACADEMY
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2019**

Baypoint Preparatory Academy - Hemet was established in 2015, when it was granted its charter through the California State Board of Education (the Sponsor) and 1st charter school status from the California Department of Education. Baypoint Preparatory Academy – San Diego received its charter in 2018 and was also charter through the California State Board of Education (the Sponsor). The charters may be revoked by the Sponsor for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

The charter school number for the Hemet Campus is: 1759
The charter school number for the San Diego Campus is: 1966

The Board of Directors and the Administrator as of the year ended June 30, 2019 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>2 Year Term Expires</u>
Frank Ogwara	President	2020
Bill Jagger	Treasurer	2019
Reyna Gomez	Member	2020
Jim Clevenger	Member	2020

ADMINISTRATOR

Nancy Spencer	Executive Director
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**BAYPOINT PREPARATORY ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2019**

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
Hemet:				
Kindergarten	36,000	66,690	180	In Compliance
Grade 1	50,400	63,480	180	In Compliance
Grade 2	50,400	61,790	180	In Compliance
Grade 3	50,400	63,480	180	In Compliance
Grade 4	54,000	63,480	180	In Compliance
Grade 5	54,000	61,790	180	In Compliance
Grade 6	54,000	66,015	180	In Compliance
Grade 7	54,000	66,015	180	In Compliance
Grade 8	54,000	66,015	180	In Compliance
Grade 9	64,800	66,015	180	In Compliance
Grade 10	64,800	66,015	180	In Compliance
Grade 11	64,800	66,015	180	In Compliance
Grade 12	64,800	66,015	180	In Compliance
San Diego:				
Kindergarten	36,000	66,690	180	In Compliance
Grade 1	50,400	62,100	179	In Compliance
Grade 2	50,400	62,100	179	In Compliance
Grade 3	50,400	62,100	179	In Compliance
Grade 4	54,000	62,100	179	In Compliance
Grade 5	54,000	62,100	179	In Compliance
Grade 6	54,000	66,450	179	In Compliance

See accompanying auditors' report and the Notes to Supplementary Information.

**BAYPOINT PREPARATORY ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2019**

Hemet:	Second Period Report		Annual Report	
	Classroom		Classroom	
	Based	Total	Based	Total
Grades TK/K-3	202.17	202.17	198.70	198.70
Grades 4-6	122.92	122.92	120.74	120.74
Grades 7-8	46.31	46.31	45.35	45.35
Grades 9-12	35.17	35.17	34.00	34.00
ADA Totals	406.57	406.57	398.79	398.79

San Diego:	Second Period Report		Annual Report	
	Classroom		Classroom	
	Based	Total	Based	Total
Grades TK/K-3	52.53	52.84	54.08	54.55
Grades 4-6	23.47	23.53	23.09	23.84
ADA Totals	76.00	76.37	77.17	78.39

See accompanying auditors' report and the Notes to Supplementary Information.

**BAYPOINT PREPARATORY ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

	Hemet	San Diego
June 30, 2019 Annual Financial Report Fund Balances (Net Assets)	\$ 201,555	\$ 68,545
Adjustments and Reclassifications:		
Increase (Decrease) of Fund Balance (Net Assets):		
Accounts Receivable - Federal and State	(28,000)	-
Deferred Rent	37,657	-
Net Adjustments and Reclassifications	9,657	-
June 30, 2019 Audited Financial Statement Fund Balances (Net Assets)	\$ 211,212	\$ 68,545

See accompanying auditors' report and the Notes to Supplementary Information.

**BAYPOINT PREPARATORY ACADEMY
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by the Academy and whether the Academy complied with the provisions of California Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the Academy. 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.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.



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

Board of Directors
Baypoint Preparatory Academy
Hemet, California

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 of America, the financial statements of Baypoint Preparatory Academy (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Glendora, California
December 15, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Baypoint Preparatory Academy
Hemet, California

We have audited Baypoint Preparatory Academy's (the Academy) compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2019. The Academy's state compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for the compliance with the state laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on the Academy's compliance based on our audit of the types of compliance requirements referred to below. 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 of America, and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the Academy's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the Academy's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not applicable
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

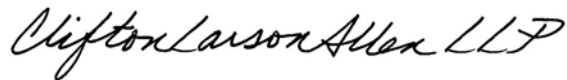
<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

Opinion on State Compliance

In our opinion, the Academy complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
December 15, 2019

**BAYPOINT PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements or state awards for the year ended June 30, 2019.

**BAYPOINT PREPARATORY ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

There were no financial statement findings for the year ended June 30, 2018.

