

**BAYPOINT PREPARATORY ACADEMY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**

**OPERATING:**

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



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Baypoint Preparatory Academy  
San Marcos, 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, 2020, and the related statements of activities, functional expenses, and cash flows 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 Academy'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 Academy'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, 2020, 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 November 17, 2020 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  
November 17, 2020

**BAYPOINT PREPARATORY ACADEMY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

| <b>ASSETS</b>                            | <u>Hemet</u>      | <u>San Diego</u>    | <u>Eliminations</u> | <u>Total</u>        |
|--|-------------------|---------------------|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                    |                   |                     |                     |                     |
| Cash and Cash Equivalents                | \$ 72,976         | \$ 808,049          | \$ -                | \$ 881,025          |
| Accounts Receivable - Federal and State  | 398,018           | 536,541             | -                   | 934,559             |
| Intercompany Note Receivable             | 259,289           | -                   | (259,289)           | -                   |
| Prepaid Expenses and Other Assets        | -                 | 97,362              | -                   | 97,362              |
| Total Current Assets                     | <u>730,283</u>    | <u>1,441,952</u>    | <u>(259,289)</u>    | <u>1,912,946</u>    |
| <b>LONG-TERM ASSETS</b>                  |                   |                     |                     |                     |
| Property, Plant, and Equipment, Net      | -                 | 172,463             | -                   | 172,463             |
| Total Long-Term Assets                   | <u>-</u>          | <u>172,463</u>      | <u>-</u>            | <u>172,463</u>      |
| Total Assets                             | <u>\$ 730,283</u> | <u>\$ 1,614,415</u> | <u>\$ (259,289)</u> | <u>\$ 2,085,409</u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                   |                     |                     |                     |
| <b>CURRENT LIABILITIES</b>               |                   |                     |                     |                     |
| Accounts Payable and Accrued Liabilities | \$ 463,790        | \$ 32,321           | \$ -                | \$ 496,111          |
| Intercompany Note Payable                | -                 | 259,289             | (259,289)           | -                   |
| Line of Credit                           | -                 | 15,436              | -                   | 15,436              |
| Notes Payable, Current Portion           | -                 | 50,000              | -                   | 50,000              |
| Factored Receivables                     | -                 | 102,900             | -                   | 102,900             |
| Total Current Liabilities                | <u>463,790</u>    | <u>459,946</u>      | <u>(259,289)</u>    | <u>664,447</u>      |
| <b>LONG-TERM LIABILITIES</b>             |                   |                     |                     |                     |
| Deferred Rent Liability                  | -                 | 65,083              | -                   | 65,083              |
| Notes Payable                            | -                 | 1,009,706           | -                   | 1,009,706           |
| Total Long-Term Liabilities              | <u>-</u>          | <u>1,074,789</u>    | <u>-</u>            | <u>1,074,789</u>    |
| <b>NET ASSETS</b>                        |                   |                     |                     |                     |
| Without Donor Restrictions               | <u>266,493</u>    | <u>79,680</u>       | <u>-</u>            | <u>346,173</u>      |
| Total Net Assets                         | <u>266,493</u>    | <u>79,680</u>       | <u>-</u>            | <u>346,173</u>      |
| Total Liabilities and Net Assets         | <u>\$ 730,283</u> | <u>\$ 1,614,415</u> | <u>\$ (259,289)</u> | <u>\$ 2,085,409</u> |

See accompanying Notes to Financial Statements.

**BAYPOINT PREPARATORY ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

|   | Hemet        | San Diego    | Total        |
|---|--------------|--------------|--------------|
| <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>          |              |              |              |
| <b>REVENUE</b>  |              |              |              |
| State Revenue:  |              |              |              |
| State Aid   | \$ 3,643,212 | \$ 1,376,146 | \$ 5,019,358 |
| Other State Revenue                                   | 471,786      | 285,314      | 757,100      |
| Federal Revenue:                                      |              |              |              |
| Grants and Entitlements                               | 235,489      | 44,358       | 279,847      |
| Local Revenue:  |              |              |              |
| Contributions   | 13,906       | 505          | 14,411       |
| Investment Income                                     | -            | 833          | 833          |
| Other Revenue   | 606          | 10,152       | 10,758       |
| Net Assets Released from Restrictions                 | 39,520       | -            | 39,520       |
| Total Revenues  | 4,404,519    | 1,717,308    | 6,121,827    |
| <b>EXPENSES</b>                                       |              |              |              |
| Program Services                                      | 3,563,570    | 1,478,953    | 5,042,523    |
| Management and General                                | 746,148      | 227,220      | 973,368      |
| Total Expenses  | 4,309,718    | 1,706,173    | 6,015,891    |
| <b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b> | 94,801       | 11,135       | 105,936      |
| <b>NET ASSETS WITH DONOR RESTRICTION REVENUES</b>     |              |              |              |
| Net Assets Released from Restrictions                 | (39,520)     | -            | (39,520)     |
| <b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>   |              |              |              |
| <b>NET ASSETS</b>                                     | (39,520)     | -            | (39,520)     |
| <b>CHANGE IN NET ASSETS</b>                           | 55,281       | 11,135       | 66,416       |
| Net Assets - Beginning of Year                        | 211,212      | 68,545       | 279,757      |
| <b>NET ASSETS - END OF YEAR</b>                       | \$ 266,493   | \$ 79,680    | \$ 346,173   |

See accompanying Notes to Financial Statements.

**BAYPOINT PREPARATORY ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

|                                 | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Total<br/>Expenses</u> |
|---------------------------------|-----------------------------|-----------------------------------|---------------------------|
| Salaries and Wages              | \$ 2,736,633                | \$ 274,619                        | \$ 3,011,252              |
| Other Employee Benefits         | 514,552                     | 53,497                            | 568,049                   |
| Payroll Taxes                   | 205,535                     | 20,585                            | 226,120                   |
| Management Fees                 | -                           | 50,012                            | 50,012                    |
| Legal Expenses                  | -                           | 18,859                            | 18,859                    |
| Accounting Expenses             | -                           | 20,105                            | 20,105                    |
| Instructional Materials         | 77,388                      | 6,427                             | 83,815                    |
| Other Fees for Services         | 177,025                     | 160,801                           | 337,826                   |
| Office Expenses                 | 160,083                     | 5,023                             | 165,106                   |
| Information Technology Expenses | 9,205                       | 1,050                             | 10,255                    |
| Occupancy Expenses              | 1,033,949                   | 151,620                           | 1,185,569                 |
| Travel Expenses                 | 21,839                      | -                                 | 21,839                    |
| Interest Expense                | -                           | 115,365                           | 115,365                   |
| Depreciation Expense            | -                           | 15,924                            | 15,924                    |
| Insurance Expense               | -                           | 47,588                            | 47,588                    |
| Other Expenses                  | 106,314                     | 31,893                            | 138,207                   |
|                                 | <u>5,042,523</u>            | <u>973,368</u>                    | <u>6,015,891</u>          |
| Total Functional Expenses       | <u>\$ 5,042,523</u>         | <u>\$ 973,368</u>                 | <u>\$ 6,015,891</u>       |

See accompanying Notes to Financial Statements.

**BAYPOINT PREPARATORY ACADEMY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020**

|   | Hemet      | San Diego  | Total      |
|---|------------|------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |            |            |            |
| Change in Net Assets  | \$ 55,281  | \$ 11,135  | \$ 66,416  |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: |            |            |            |
| Depreciation  | -          | 15,924     | 15,924     |
| Change in Operating Assets:   |            |            |            |
| Accounts Receivable - Federal and State   | 137,560    | (277,625)  | (140,065)  |
| Prepaid Expenses and Other Assets   | 32,018     | (11,481)   | 20,537     |
| Change in Operating Liabilities:  |            |            |            |
| Accounts Payable and Accrued Liabilities  | 206,884    | (232,783)  | (25,899)   |
| Deferred Rent Liability   | (118,125)  | 65,083     | (53,042)   |
| Net Cash Provided by (Used in) Operating Activities   | 313,618    | (429,747)  | (116,129)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |            |            |            |
| Purchases of Property, Plant, and Equipment   | 177,659    | (107,634)  | 70,025     |
| Net Cash Provided by (Used in) Investing Activities   | 177,659    | (107,634)  | 70,025     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |            |            |            |
| Intercompany Note Receivable  | (130,475)  | -          | (130,475)  |
| Intercompany Note Payable   | -          | 130,475    | 130,475    |
| Proceeds from Debt  | -          | 977,575    | 977,575    |
| Transfer of Debt  | (200,467)  | 200,467    | -          |
| Repayments of Debt  | (236,323)  | -          | (236,323)  |
| Net Cash Provided by (Used in) Financing Activities   | (567,265)  | 1,308,517  | 741,252    |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>  | (75,988)   | 771,136    | 695,148    |
| Cash and Cash Equivalents - Beginning of Year   | 148,964    | 36,913     | 185,877    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | \$ 72,976  | \$ 808,049 | \$ 881,025 |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                     |            |            |            |
| Cash Paid for Interest  | \$ 103,525 | \$ 11,840  | \$ 115,365 |

See accompanying Notes to Financial Statements.



**BAYPOINT PREPARATORY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Baypoint Preparatory Academy (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 (the 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. 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.

**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, 2020**

**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, 2020. 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. The Academy capitalizes all expenditures for buildings and improvements, equipment and furniture in excess of \$1,000. The useful lives range from 5 to 10 years depending on the category.

**Revenue Recognition**

Amounts received from the California Department of Education are conditional and 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.

**BAYPOINT PREPARATORY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. There were no conditional contributions outstanding at June 30, 2020.

**Other Revenue**

Other revenue consist primarily of mental and other local services. The performance obligation for providing these services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably the course of the academic year.

**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 nonprofit 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. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. 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.

**BAYPOINT PREPARATORY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenues from Contracts with Customers (Topic 606). The update establishes the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The Academy has early adopted the implementation of ASU 2014-09 under the full retrospective approach. There was no material impact on the Academy's financial position and results of operations upon adoption of the new standard.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Academy has implemented ASU 2018-08 under the modified prospective approach. There was no material impact on the Academy's financial position and results of operations upon adoption of the new standard.

**Evaluation of Subsequent Events**

The Academy has evaluated subsequent events through November 17, 2020, 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:

|   | <u>Amount</u>              |
|---|----------------------------|
| Cash and Cash Equivalents               | \$ 881,025                 |
| Accounts Receivable - Federal and State | <u>934,559</u>             |
| Total                                   | <u><u>\$ 1,815,584</u></u> |

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

**BAYPOINT PREPARATORY ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020, 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. Depreciation expense was \$15,924 as of June 30, 2020.

The components of property, plant, and equipment as of June 30, 2020 are as follows:

|                                      |                          |
|--------------------------------------|--------------------------|
| Building Improvements                | \$ 147,388               |
| Equipment, Furniture and Fixtures    | 46,520                   |
| Total                                | <u>193,908</u>           |
| Less: Accumulated Amortization       | (21,445)                 |
| Total Property, Plant, and Equipment | <u><u>\$ 172,463</u></u> |

**NOTE 5 LINE OF CREDIT**

The Academy has an operating line of credit with a financial institution for up to \$25,000. Any outstanding balance on the line of credit due by the maturity date of September 2020. As of June 30, 2020, the outstanding balance on the line of credit was \$15,436.

**NOTE 6 NOTES PAYABLE**

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 five years and carries an interest rate of 0.62%. Annual payments of principal and interest are deducted from the Academy's apportionment. At June 30, 2020, the outstanding amount related to the loan was \$160,004.

**BAYPOINT PREPARATORY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 NOTES PAYABLE (CONTINUED)**

On May 1, 2020, the Academy received a loan from Umpqua Bank in the amount of \$739,800 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Academy will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in August 2021 principal and interest payments will be required through the maturity date in May 2022.

On June 5, 2020, the Academy obtained a Small Business Administration (SBA) Economic Injury Disaster Loan from a financial institution in the amount of \$160,000. The loan carries and interest rate of 2.75% and matures on June 5, 2050.

The repayments on notes as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>       |
|-----------------------------|---------------------|
| 2021                        | \$ 50,000           |
| 2022                        | 795,317             |
| 2023                        | 65,521              |
| 2024                        | 5,517               |
| 2025                        | 5,517               |
| Thereafter                  | 137,834             |
| Total                       | <u>\$ 1,059,706</u> |

**NOTE 7 FACTORED RECEIVABLES**

The Academy has entered into an agreement to factor attendance and grant receivables. The amount of factored receivables due at June 30, 2020 was \$102,900.

**BAYPOINT PREPARATORY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 OPERATING LEASES**

The Academy has various leases for its use of facilities, under the lease agreements, monthly payments are required through July 2028. Rent expense associated with these leases for the year ended June 30, 2020 was \$919,291. Cash paid for rent for the year ended June 30, 2020 was \$854,208. Future minimum lease payments are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>              |
|-----------------------------|----------------------------|
| 2021                        | \$ 573,811                 |
| 2022                        | 561,436                    |
| 2023                        | 613,436                    |
| 2024                        | 553,977                    |
| 2025                        | 563,289                    |
| Thereafter                  | <u>1,797,672</u>           |
| Total                       | <u><u>\$ 4,663,621</u></u> |

**NOTE 9 CONTINGENCIES, RISKS AND UNCERTAINTIES**

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.

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Academy, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Academy is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**NOTE 10 SUBSEQUENT EVENTS**

As of July 1, 2020, the Academy decided to cease operations of the Baypoint Preparatory Academy - Hemet Campus (Charter School number 1759). The Academy plan to transfer remaining assets and liabilities to the San Diego Campus during the year ended June 30, 2021.

**SUPPLEMENTARY INFORMATION**



**BAYPOINT PREPARATORY ACADEMY  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2020**

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, 2020 were as follows:

**BOARD OF DIRECTORS**

| <u>Member</u>  | <u>Office</u> | <u>2 Year Term Expires</u> |
|----------------|---------------|----------------------------|
| Nathan Limjoco | Board Chair   | 2020                       |
| Tuesday Gray   | Treasurer     | 2021                       |
| Stephanie Long | Secretary     | 2020                       |
| Reyna Gomez    | Member        | 2021                       |
| Eric Gorence   | Member        | 2021                       |
| Gina Campbell  | Member        | 2021                       |

**ADMINISTRATOR**

|               |                         |
|---------------|-------------------------|
| Frank Ogwara  | Chief Executive Officer |
| Nancy Spencer | Executive Director      |

**BAYPOINT PREPARATORY ACADEMY  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

|                   | <u>Instructional Minutes</u> |        | Credited Minutes                         | Total Actual             | Traditional      | Credited Days                            | Total Actual          | Status        |
|-------------------|------------------------------|--------|--|--------------------------|------------------|--|-----------------------|---------------|
|                   | Requirement                  | Actual | COVID-19 School<br>Closure Certification | Plus Credited<br>Minutes | Calendar<br>Days | COVID-19 School<br>Closure Certification | Plus Credited<br>Days |               |
| <b>Hemet:</b>     |                              |        |  |                          |                  |  |                       |               |
| Kindergarten      | 36,000                       | 66,690 | 21,480                                   | 45,210                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 1           | 50,400                       | 64,080 | 20,640                                   | 43,440                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 2           | 50,400                       | 62,340 | 20,080                                   | 42,260                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 3           | 50,400                       | 62,340 | 20,080                                   | 42,260                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 4           | 54,000                       | 62,340 | 20,080                                   | 42,260                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 5           | 54,000                       | 62,340 | 20,080                                   | 42,260                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 6           | 54,000                       | 66,690 | 21,480                                   | 45,210                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 7           | 54,000                       | 66,690 | 21,480                                   | 45,210                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 8           | 54,000                       | 66,690 | 21,480                                   | 45,210                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 9           | 64,800                       | 66,690 | 21,480                                   | 45,210                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 10          | 64,800                       | 66,690 | 21,480                                   | 45,210                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 11          | 64,800                       | 66,690 | 21,480                                   | 45,210                   | 180              | 58                                       | 122                   | In Compliance |
| Grade 12          | 64,800                       | 66,690 | 21,480                                   | 45,210                   | 180              | 58                                       | 122                   | In Compliance |
| <b>San Diego:</b> |                              |        |  |                          |                  |  |                       |               |
| Kindergarten      | 36,000                       | 61,735 | 20,090                                   | 41,645                   | 179              | 58                                       | 121                   | In Compliance |
| Grade 1           | 50,400                       | 59,650 | 19,400                                   | 40,250                   | 179              | 58                                       | 121                   | In Compliance |
| Grade 2           | 50,400                       | 59,650 | 19,400                                   | 40,250                   | 179              | 58                                       | 121                   | In Compliance |
| Grade 3           | 50,400                       | 59,650 | 19,400                                   | 40,250                   | 179              | 58                                       | 121                   | In Compliance |
| Grade 4           | 54,000                       | 59,650 | 19,400                                   | 40,250                   | 179              | 58                                       | 121                   | In Compliance |
| Grade 5           | 54,000                       | 59,650 | 19,400                                   | 40,250                   | 179              | 58                                       | 121                   | In Compliance |
| Grade 6           | 54,000                       | 59,650 | 19,400                                   | 40,250                   | 179              | 58                                       | 121                   | In Compliance |

See accompanying Notes to Supplementary Information.

**BAYPOINT PREPARATORY ACADEMY  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

|               | Second Period Report |               | Annual Report |               |
|---------------|----------------------|---------------|---------------|---------------|
|               | Classroom            |               | Classroom     |               |
|               | Based                | Total         | Based         | Total         |
| Hemet:        |                      |               |               |               |
| Grades TK/K-3 | 168.54               | 168.54        | 168.54        | 168.54        |
| Grades 4-6    | 91.54                | 91.54         | 91.54         | 91.54         |
| Grades 7-8    | 57.09                | 57.09         | 57.09         | 57.09         |
| Grades 9-12   | 25.42                | 25.42         | 25.42         | 25.42         |
| ADA Totals    | <u>342.59</u>        | <u>342.59</u> | <u>342.59</u> | <u>342.59</u> |
|               |                      |               |               |               |
|               |                      |               |               |               |
|               |                      |               |               |               |
| San Diego:    |                      |               |               |               |
| Grades TK/K-3 | 96.93                | 97.63         | 96.93         | 97.63         |
| Grades 4-6    | 44.29                | 44.36         | 44.29         | 44.36         |
| Grades 7-8    | 10.66                | 10.66         | 10.66         | 10.66         |
| ADA Totals    | <u>151.88</u>        | <u>152.65</u> | <u>151.88</u> | <u>152.65</u> |

See accompanying Notes to Supplementary Information.

**BAYPOINT PREPARATORY ACADEMY  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

|  | Hemet      | San Diego  |
|--|------------|------------|
| June 30, 2020 Annual Financial Report Fund Balances (Net Assets)     | \$ 280,905 | \$ 144,763 |
| Adjustments and Reclassifications:                                   |            |            |
| Increase (Decrease) of Fund Balance (Net Assets):                    |            |            |
| Deferred Rent  | -          | (65,083)   |
| Net Adjustments and Reclassifications                                | (14,412)   | (65,083)   |
| June 30, 2020 Audited Financial Statement Fund Balances (Net Assets) | \$ 266,493 | \$ 79,680  |

See accompanying Notes to Supplementary Information.

**BAYPOINT PREPARATORY ACADEMY  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

**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  
San Marcos, 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, 2020, 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 November 17, 2020.

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



**CliftonLarsonAllen LLP**

Glendora, California  
November 17, 2020



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Baypoint Preparatory Academy  
San Marcos, California

We have audited Baypoint Preparatory Academy's (the Academy) compliance with the types of compliance requirements described in the *2019-2020 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, 2020. 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 *2019-2020 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, 2020.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each state program is not modified with respect to this matter.

The Academy’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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 *2019-2020 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  
November 17, 2020



**BAYPOINT PREPARATORY ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**2020-001 Unduplicated Local Control Funding Formula Pupil Counts**

**40000**

**Effect:** Baypoint Preparatory Academy - Hemet is not in compliance with Education code section 42238.02 (b)(2). The 1.17 and 1.18 Reports contained errors as follows:

**Charter School Audit Adjustments to CALPADS Data - Baypoint Preparatory Academy - Hemet**

| <u>Original</u>         |                                 | <u>Updated</u>          |                                 | <u>Net Change</u>       |                                 | <u>LCFF Entitlement</u>     |                            |                   |
|-------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|-----------------------------|----------------------------|-------------------|
| <u>Enrollment Count</u> | <u>Unduplicated Pupil Count</u> | <u>Enrollment Count</u> | <u>Unduplicated Pupil Count</u> | <u>Enrollment Count</u> | <u>Unduplicated Pupil Count</u> | <u>Original Entitlement</u> | <u>Revised Entitlement</u> | <u>Adjustment</u> |
| 373                     | 308                             | 373                     | 289                             | ---                     | -19                             | ---                         | ---                        | ---               |

**Cause:** The Academy was either unable to provide meal applications, or meal applications were marked as denied and erroneously entered into Academy’s system and submitted to CalPADS.

**Questioned Costs:** A full file review was conducted, and as a result 19 students were included in the CalPADS report as eligible for free or reduced meals for which supporting documentation indicated they were not eligible. Revised entitlement had no impact on LCFF Entitlement as there was no funding received for LCFF Entitlement.

**Repeat Finding:** This is not a repeating finding.

**Recommendation:** We recommend that the Academy employ additional monitoring processes to review the Free and Reduced Price Meal (FRPM) eligibility data to ensure that reporting errors are minimized and corrections are made on a timely basis.

**Views of responsible officials and planned corrective actions:** The management of the Academy accepts this finding. As of July 1, 2020, the Academy decided to cease operations of the Baypoint Preparatory Academy - Hemet Campus

**BAYPOINT PREPARATORY ACADEMY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020**

There were no financial statement findings for the year ended June 30, 2019.

