

YPI CHARTER SCHOOLS, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2023

OPERATING:

Bert Corona Charter School: #0654
Monseñor Oscar Romero Charter School: #0931
Bert Corona High School: #1724

**YPI CHARTER SCHOOLS, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
YPI Charter Schools, Inc.
Granada Hills, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of YPI Charter Schools, Inc. (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the School adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with response to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The Bert Corona Charter School, Monseñor Oscar Romero Charter School, Bert Corona High School, Learning Support Center, and Eliminations columns in the statements of financial position, activities, and cash flows as well as the supplementary information (as identified in the table of contents), and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and, except for the portion marked "unaudited", 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. The Local Education Agency Organization Structure, which is marked "unaudited", has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated REPORT DATE on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 School's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

YPI CHARTER SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

	Bert Corona Charter School	Monseñor Oscar Romero Charter School	Bert Corona High School	Learning and Support Center	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 3,284,436	\$ 4,389,246	\$ 952,416	\$ 36,514	\$ -	\$ 8,662,612
Accounts Receivable - Federal and State	1,798,923	1,423,727	745,981	-	-	3,968,631
Accounts Receivable - Other	7,493	127	404	79	-	8,103
Prepaid Expenses and Other Assets	55,333	51,303	39,876	15,876	-	162,388
Total Current Assets	5,146,185	5,864,403	1,738,677	52,469	-	12,801,734
LONG-TERM ASSETS						
Property, Plant, and Equipment, Net	510,251	25,870,003	67,284	4,897	-	26,452,435
Other Long-Term Assets	98,900	-	-	9,766	-	108,666
Right of Use Asset - Operating Lease	2,051,297	27,170	19,568	109,438	-	2,207,473
Total Long-Term Assets	2,660,448	25,897,173	86,852	124,101	-	28,768,574
Total Assets	\$ 7,806,633	\$ 31,761,576	\$ 1,825,529	\$ 176,570	\$ -	\$ 41,570,308
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 1,350,035	\$ 1,312,157	\$ 536,789	\$ 69,189	\$ -	\$ 3,268,170
Deferred Revenue	1,004,596	1,145,408	664,469	-	-	2,814,473
Amount Held for Others	61,239	51,762	-	-	-	113,001
Operating Lease Liability, Current Portion	97,611	9,945	7,162	45,221	-	159,939
Loans Payable, Current Portion	-	227,396	-	-	-	227,396
Total Current Liabilities	2,513,481	2,746,668	1,208,420	114,410	-	6,582,979
LONG-TERM LIABILITIES						
Operating Lease Liability, Net of Current Portion	1,973,895	17,225	12,406	62,160	-	2,065,686
Loan Payable	-	6,883,872	-	-	-	6,883,872
Total Long-Term Liabilities	1,973,895	6,901,097	12,406	62,160	-	8,949,558
Total Liabilities	4,487,376	9,647,765	1,220,826	176,570	-	15,532,537
NET ASSETS						
Without Donor Restriction	3,137,822	21,958,491	588,677	-	-	25,684,990
With Donor Restriction	181,435	155,320	16,026	-	-	352,781
Total Net Assets	3,319,257	22,113,811	604,703	-	-	26,037,771
Total Liabilities and Net Assets	\$ 7,806,633	\$ 31,761,576	\$ 1,825,529	\$ 176,570	\$ -	\$ 41,570,308

See accompanying Notes to Financial Statements.

YPI CHARTER SCHOOLS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Bert Corona Charter School	Monseñor Oscar Romero Charter School	Bert Corona High School	Learning and Support Center	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTION						
State Revenue:						
State Aid	\$ 2,896,673	\$ 2,454,693	\$ 2,147,145	\$ -	\$ -	\$ 7,498,511
Other State Revenue	1,705,059	1,905,822	505,387	-	-	4,116,268
Federal Revenue:						
Grants and Entitlements	1,037,058	934,685	777,392	-	-	2,749,135
Local Revenue:						
In-Lieu Property Tax Revenue	1,109,052	905,939	697,240	-	-	2,712,231
Contributions	184,667	128,180	107,259	-	-	420,106
Interest Income	782	-	-	557	-	1,339
Other Revenue	30,662	-	2,189	1,661,936	(1,658,409)	36,378
Net Assets Released from Restrictions	107,939	109,952	-	-	-	217,891
Total Revenues	<u>7,071,892</u>	<u>6,439,271</u>	<u>4,236,612</u>	<u>1,662,493</u>	<u>(1,658,409)</u>	<u>17,751,859</u>
EXPENSES						
Program Services	4,958,354	4,373,946	2,958,165	-	-	12,290,465
Management and General	2,108,940	2,165,831	1,287,682	1,662,493	(1,658,409)	5,566,537
Fundraising	1,300	-	-	-	-	1,300
Total Expenses	<u>7,068,594</u>	<u>6,539,777</u>	<u>4,245,847</u>	<u>1,662,493</u>	<u>(1,658,409)</u>	<u>17,858,302</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	3,298	(100,506)	(9,235)	-	-	(106,443)
REVENUES, WITH DONOR RESTRICTION						
Federal Revenue	181,435	155,320	16,026	-	-	352,781
Net Assets Released from Restrictions	(107,939)	(109,952)	-	-	-	(217,891)
CHANGE IN NET ASSETS WITH DONOR RESTRICTION	<u>73,496</u>	<u>45,368</u>	<u>16,026</u>	<u>-</u>	<u>-</u>	<u>134,890</u>
CHANGE IN NET ASSETS	76,794	(55,138)	6,791	-	-	28,447
Net Assets - Beginning of Year	3,242,463	22,168,949	597,912	-	-	26,009,324
NET ASSETS - END OF YEAR	<u>\$ 3,319,257</u>	<u>\$ 22,113,811</u>	<u>\$ 604,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,037,771</u>

See accompanying Notes to Financial Statements.

YPI CHARTER SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Eliminations	Total Expenses
Salaries and Wages	\$ 5,416,020	\$ 2,435,432	\$ -	\$ -	\$ 7,851,452
Pension Expense	880,805	134,044	-	-	1,014,849
Other Employee Benefits	766,923	450,736	-	-	1,217,659
Payroll Taxes	150,167	161,578	-	-	311,745
Legal Expenses	-	30,130	-	-	30,130
Accounting Expenses	-	36,293	-	-	36,293
Instructional Materials	438,706	113	-	-	438,819
Other Fees for Services	1,471,382	2,283,107	-	(1,658,409)	2,096,080
Information Technology	-	172,418	-	-	172,418
Advertising and Promotion Expenses	-	201,434	-	-	201,434
Office Expenses	453,421	236,759	-	-	690,180
Occupancy Expenses	776,822	308,683	-	-	1,085,505
Travel and Conference Expense	85,608	25,171	-	-	110,779
Interest Expense	-	144,919	-	-	144,919
Depreciation Expense	689,427	251,698	-	-	941,125
Insurance Expense	-	155,238	-	-	155,238
Other Expenses	1,161,184	197,193	1,300	-	1,359,677
Subtotal	12,290,465	7,224,946	1,300	(1,658,409)	17,858,302
Eliminations	-	(1,658,409)	-	1,658,409	-
Total Functional Expenses	<u>\$ 12,290,465</u>	<u>\$ 5,566,537</u>	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 17,858,302</u>

See accompanying Notes to Financial Statements.

YPI CHARTER SCHOOLS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	Bert Corona Charter School	Monseñor Oscar Romero Charter School	Bert Corona High School	Learning and Support Center	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in Net Assets	\$ 76,794	\$ (55,138)	\$ 6,791	\$ -	\$ -	\$ 28,447
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:						
Depreciation	94,050	801,482	44,291	1,302	-	941,125
Change in Operating Assets:						
Accounts Receivable - Federal and State	830,278	(554,548)	(299,449)	-	-	(23,719)
Accounts Receivable - Other	21	(117)	107	(11)	-	-
Prepaid Expenses and Other Assets	(10,499)	(8,336)	(11,706)	(1,176)	-	(31,717)
Other Long-Term Assets	(98,000)	-	-	-	-	(98,000)
Right of Use Assets - Operating	(2,051,297)	-	-	(109,438)	-	(2,160,735)
Change in Operating Liabilities:						
Accounts Payable and Accrued Liabilities	(326,211)	(409,745)	206,439	2,682	-	(526,835)
Intracompany Payable	-	-	-	-	-	-
Deferred Revenue	499,321	434,086	269,771	-	-	1,203,178
Lease Liabilities - Operating	2,071,506	-	-	107,381	-	2,178,887
Amounts Held for Others	(3,224)	3,156	-	-	-	(68)
Net Cash Provided by Operating Activities	1,082,739	210,840	216,244	740	-	1,510,563
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of Property, Plant, and Equipment	(353,671)	(3,236)	(24,168)	(2,801)	-	(383,876)
Net Cash Used by Investing Activities	(353,671)	(3,236)	(24,168)	(2,801)	-	(383,876)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of Debt	-	(264,359)	-	-	-	(264,359)
Net Cash Used by Financing Activities	-	(264,359)	-	-	-	(264,359)
NET CHANGE IN CASH AND CASH EQUIVALENTS	729,068	(56,755)	192,076	(2,061)	-	862,328
Cash and Cash Equivalents - Beginning of Year	2,555,368	4,446,001	760,340	38,575	-	7,800,284
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,284,436</u>	<u>\$ 4,389,246</u>	<u>\$ 952,416</u>	<u>\$ 36,514</u>	<u>\$ -</u>	<u>\$ 8,662,612</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Cash Paid for Interest	<u>\$ -</u>	<u>\$ 144,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,919</u>

See accompanying Notes to Financial Statements.

YPI CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

YPI Charter Schools, Inc. (the School) is a California nonprofit public benefit corporation developed by the Youth Policy Institute (YPI). The School currently manages three charter schools: Bert Corona Charter School, Monseñor Oscar Romero Charter School, and Bert Corona Charter High School. All of these charter schools are funded principally through state of California public education monies received through the California Department of Education and the Los Angeles Unified School District (the District).

The School's vision is to equip urban students in grades 5-12 for academic success and active community participation. The majority of students come from predominantly Latino immigrant families with high poverty levels. The School seeks to close the achievement gap for these students by providing clear and high expectations for all students to achieve a personalized and supportive learning environment that recognizes students' accomplishments, family-school-community partnerships and service, and integrated technology in the classroom.

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 School'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 School 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.

YPI CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023. 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 School capitalizes all expenditures for land, buildings, and equipment in excess of \$1,000.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The entire compensated absences liability is reported on the statement of financial position. Employees of the School are paid for days or hours worked based upon board approved schedules which include vacation.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the School 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.

YPI CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. 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.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2023, the School has conditional grants of \$5,268,486 of which \$2,814,473 is recognized as deferred revenue in the statement of financial position.

Income Taxes

The School 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 School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files and exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Leases

The School leases office space, school facilities and office equipment. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

YPI CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statement of financial position.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the School considers factors such as if the School has obtained substantially all of the rights to the underlying asset through exclusivity, if the School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available.

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

YPI CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The School elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Evaluation of Subsequent Events

The School has evaluated subsequent events through REPORT DATE, 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 as of June 30, 2023 are comprised of the following:

Cash and Cash Equivalents	\$ 8,662,612
Accounts Receivable - Federal and State	3,968,631
Accounts Receivable - Other	8,103
Less: Net Assets With Donor Restrictions	<u>(352,781)</u>
Financial Assets Available for General Expenditure	<u>\$ 12,286,565</u>

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

NOTE 3 CONCENTRATION OF CREDIT RISK

The School maintains its cash and cash equivalents at high-credit quality financial institutions. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

YPI CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense for the year ended June 30, 2023 was \$941,125.

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

	Bert Corona Charter School	Montsenor Oscar Romero Charter School	Bert Corona High School	Learning and Support Center	Total
Building	\$ 1,560,807	\$ 29,012,417	\$ -	\$ 6,686	\$ 30,579,910
Building Improvements	510,337	-	2,452	-	512,789
Computers and Equipment	1,214,168	673,078	354,711	45,318	2,287,275
Furniture	38,561	21,317	1,953	-	61,831
Subtotal	3,323,873	29,706,812	359,116	52,004	33,441,805
Less: Accumulated Depreciation	(2,813,622)	(3,836,809)	(291,832)	(47,107)	(6,989,370)
Total	\$ 510,251	\$ 25,870,003	\$ 67,284	\$ 4,897	\$ 26,452,435

NOTE 5 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

The risks of participating in this multiemployer defined benefit pension plan are different from single employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multiemployer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2022 total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6,513 billion, and the plan is 74.4% funded. The School did not contribute more than 5% of the total contributions to the plan.

YPI CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Plan Description (Continued)

Copied of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826, and www.calstrs.com.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the SIRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The School's contributions to STRS for the past three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2021	\$ 598,898	100 %
2022	761,236	100 %
2023	972,688	100 %

Defined Contribution Plan

The School offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. The School matches up to 3% for classified employees. During the year ended June 30, 2023, the School contributed \$42,161 to this plan.

NOTE 6 DUE TO OTHERS

The School receives contributions for the YPI Parent Group and student groups. The amount of cash held payable to the Parent Group and student groups as of June 30, 2023 was \$113,001.

NOTE 7 FACILITY USE AGREEMENT

The School has facility use agreements for Bert Corona High School and Monseñor Oscar Romero Charter School properties with the Los Angeles Unified School District (the District) that expire in June of 2024. Expenses for the year ended June 30, 2023 under these agreements were \$391,233. The School is expecting to pay \$324,541 in the following fiscal year.

YPI CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 LONG-TERM DEBT

Charter School Facilities Program Loan

Monseñor Oscar Romero Charter School was awarded \$15,643,256 through Proposition 1D of which \$7,821,628 was a grant and \$7,821,628 was a long-term debt with an interest rate of 2% per year. The liability is secured by the property acquired and constructed with these funds. Monthly payments of principal and interest began in January 2020 and are expected to be made through January 2049. As of June 30, 2023 the outstanding balance on this loan was \$7,111,268.

Future loan payment are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 227,396
2025	214,222
2026	218,544
2027	222,952
2028	227,450
Thereafter	6,000,704
Total	<u><u>\$ 7,111,268</u></u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to Specific Purpose:

Child Nutrition Program Funds	\$ 352,781
Total	<u><u>\$ 352,781</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

Subject to Specific Purpose:

Child Nutrition Program Funds	\$ 217,891
Total	<u><u>\$ 217,891</u></u>

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 pension expense, other employee benefits, payroll taxes, and occupancy, which are allocated on the basis of estimates of time and effort.

YPI CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 LEASES – ASC 842

The School leases equipment as well as certain office and school facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2037.

The following table provides quantitative information concerning the School's lease for the year ended June 30, 2023:

Lease Costs	
Operating Lease Costs	\$ 259,441
Short-Term Lease Costs	9,000
Total Lease Costs	<u>\$ 268,441</u>
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows from Operating Leases	\$ 225,115
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 2,393,303
Weighted-Average Remaining Lease Term - Operating Leases	13.1 Years
Weighted-Average Discount Rate - Operating	3.2%

The School classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2024	\$ 212,622
2025	233,201
2026	195,856
2027	162,024
2028	165,264
Thereafter	1,802,484
Total Lease Payments	<u>2,771,451</u>
Less: Interest	(545,826)
Present Value of Lease Liabilities	<u>\$ 2,225,625</u>

NOTE 12 CONTINGENCIES, RISKS AND UNCERTAINTIES

The School 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.

SUPPLEMENTARY INFORMATION

YPI CHARTER SCHOOLS, INC.
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)
UNAUDITED

YPI Charter Schools, Inc. (the School) was established on November 17, 2003 and is a California nonprofit public benefit corporation. The School operates three sites: Bert Corona Charter School, Monseñor Oscar Romero Charter School, and Bert Corona Charter High, approved by the Los Angeles Unified School District as follows:

Bert Corona Charter School (charter number 0654) – established in April 2004.
 Monseñor Oscar Romero Charter School (charter number 0931) – established in May 2007.
 Bert Corona Charter High (charter number 1724) – established in 2015.

The board of directors and the administrators as of the year ended June 30, 2023 were as follows:

BOARD OF DIRECTORS

Member	Office	Term (In Years)	Term Expires
Mary Keipp	Chair	2	June 2023
Michael Green	Treasurer	2	June 2023
Sandra Mendoza	Secretary	2	June 2024
Walter Njboke	Member	2	June 2024
Dean Cho	Member	2	June 2024
Cesar Lopez	Member	2	June 2023

ADMINISTRATORS

Yvette King Berg	Executive Director
Ruben Dueñas	Chief Operating Officer

YPI CHARTER SCHOOLS, INC.
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Instructional Minutes		Traditional	Status
	Requirement	Actual	Instructional Days	
Bert Corona Charter School:				
Grade 5	54,000	65,180	180	In Compliance
Grade 6	54,000	65,180	180	In Compliance
Grade 7	54,000	65,180	180	In Compliance
Grade 8	54,000	65,180	180	In Compliance
Monseñor Oscar Romero Charter School:				
Grade 6	54,000	63,670	180	In Compliance
Grade 7	54,000	63,670	180	In Compliance
Grade 8	54,000	63,670	180	In Compliance
Bert Corona Charter High School:				
Grade 9	64,800	65,815	180	In Compliance
Grade 10	64,800	65,815	180	In Compliance
Grade 11	64,800	65,815	180	In Compliance
Grade 12	64,800	65,815	180	In Compliance

See accompanying Notes to Supplementary Information.

YPI CHARTER SCHOOLS, INC.
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Bert Corona Charter School:				
Grades 5-6	110.70	111.16	111.23	111.58
Grades 7-8	195.61	196.09	194.45	194.82
Subtotal	306.31	307.25	305.68	306.40
Monseñor Oscar Romero Charter School:				
Grades 6	88.85	88.85	88.66	88.66
Grades 7-8	165.66	165.66	167.00	167.00
Subtotal	254.51	254.51	255.66	255.66
Bert Corona Charter High School:				
Grades 9-12	177.91	180.50	179.31	181.67
Subtotal	177.91	180.50	179.31	181.67
ADA Totals	738.73	742.26	740.65	743.73

See accompanying Notes to Supplementary Information.

YPI CHARTER SCHOOLS, INC.
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>Bert Corona Charter School</u>	<u>Monseñor Oscar Romero Charter School</u>	<u>Bert Corona Charter High School</u>
June 30, 2023 Annual Financial Report Fund Balances (Net Assets)	\$ 3,315,595	\$ 22,117,953	\$ 604,225
Adjustments and Reclassifications:			
Increase (Decrease) of Fund Balance (Net Assets):			
Cash and Cash Equivalents	3,662	(4,142)	478
Accounts Receivable - Other	7,493	127	-
Prepaid Expenses and Other Assets	(7,493)	(127)	-
Right of Use Assets, Net	26,472	27,170	19,568
Lease Liabilities	(26,472)	(27,170)	(19,568)
Net Adjustments and Reclassifications	<u>3,662</u>	<u>(4,142)</u>	<u>478</u>
June 30, 2023 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 3,319,257</u>	<u>\$ 22,113,811</u>	<u>\$ 604,703</u>

See accompanying Notes to Supplementary Information.

YPI CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification	Bert Corona Charter School	Monseñor Oscar Romero Charter School	Bert Corona High School	Total
U.S. Department of Education							
Pass-Through Program from California							
Department of Education:							
Title I, Part A	84.010	14981		\$ 130,052	\$ 124,189	\$ 75,110	\$ 329,351
Title II, Part A, Teacher Quality	84.367	14341		15,480	13,787	9,180	38,447
Title III, Limited English Proficient Student Program	84.365	14346		13,791	15,068	5,491	34,350
Title IV, Part A, Student Support and Academic Enrichment	84.424A	N/A		10,200	10,454	10,000	30,654
Special Education Cluster: IDEA Basic Local Assistance Entitlement, Part B, Section 611							
Total Special Education Cluster	84.027	13379		74,751	61,920	43,914	180,585
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):							
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	334,042	387,055	240,596	961,693
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	249,332	202,955	225,276	677,563
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	COVID-19	32,644	-	23,580	56,224
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	COVID-19	8,615	-	5,412	14,027
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	COVID-19	-	-	15,371	15,371
Total Coronavirus Aid, Relief, and Economic Security Act (CARES Act)				<u>624,633</u>	<u>590,010</u>	<u>510,235</u>	<u>1,724,878</u>
Total U.S. Department of Education				868,907	815,428	653,930	2,338,265
U.S. Department of Agriculture							
Pass-Through Program from California							
Department of Education:							
Child Nutrition Program Cluster:							
National School Lunch Program	10.555	23165		349,586	274,577	139,488	763,651
Total Child Nutrition Program Cluster				<u>349,586</u>	<u>274,577</u>	<u>139,488</u>	<u>763,651</u>
Total U.S. Department of Agriculture				<u>349,586</u>	<u>274,577</u>	<u>139,488</u>	<u>763,651</u>
Total Federal Expenditures				<u>\$ 1,218,493</u>	<u>\$ 1,090,005</u>	<u>\$ 793,418</u>	<u>\$ 3,101,916</u>

N/A - Pass-Through entity number not readily available or not applicable.

See accompanying Notes to Supplementary Information.

YPI CHARTER SCHOOLS, INC.
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

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

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

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.

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the School, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the School.

NOTE 5 INDIRECT COST RATE

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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
YPI Charter Schools, Inc.
Granada Hills, 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, the financial statements of YPI Charter Schools, Inc. (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows, for the year then ended, the related notes to the financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control Over Financial Reporting

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Board of Directors
YPI Charter Schools, Inc.
Granada Hills, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of YPI Charter Schools, Inc. (the School) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

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

Board of Directors
YPI Charter Schools, Inc.
Granada Hills, California

Report on Compliance

Opinion on State Compliance

We have audited YPI Charter School's (the School) compliance with the types of compliance requirements applicable to the School described in the *2022-2023 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, 2023. The School's applicable State compliance requirements are identified in the table below.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that are applicable to the School for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and 2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the School'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 ¹
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable ²
Immunizations	Not Applicable ³
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable ⁴
Transitional Kindergarten	Not Applicable ⁵
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable ⁶
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Not Applicable¹: The School did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable²: The School did not report ADA pursuant to Education Code section 51749.5.

Not Applicable³: The School did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable⁴: The School did not receive a CTEIG allocation for the audit year.

Not Applicable⁵: The School did not report ADA for the audit year for transitional kindergarten.

Not Applicable⁶: The School did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

YPI CHARTER SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425C	Expanded Learning Opportunities (ELO) Grant GEER II
84.425D	Elementary and Secondary School Emergency Relief II (ESSER) Fund and ESSER II, ELO ESSER II
84.425U	Elementary and Secondary School Emergency Relief III (ESSER) Fund and ESSER III, ELO ESSER III State Reserve, Emergency Needs

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

YPI CHARTER SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023

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: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

YPI CHARTER SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.

DRAFT
For discussion purposes only
Subject to revision