Kinetic Academy

Huntington Beach, CA

Board of Directors

Minutes of the Board Meeting

January 20, 2021

I. Call to Order

The meeting was called to order by Chair Michele Asay via Zoom Conference call at 5:38pm

Members Present: Chair Michele Asay, Vice Chair Jeffrey Ball, Treasurer Christine Shewbridge, Executive Director Bre Lionetti, Member Paul Simonds, Member Bret McCarroll

Absent: None

Others Present: Aaron Guibird, CSMC, Tera Warren, Staff Member and LSC Representative, Claire Anderson, Parent representing KPO

Procedural Overview

Kinetic Academy is a public entity subject to the Brown Act and meetings are conducted accordingly using Robert's Rules of Order. Certain provisions of the Brown Act have been waived under Executive Orders of the State Governor. No action necessary.

II. Preliminary Actions

a. A motion to adopt the January 20, 2021, agenda.

On the motion made by Mr. McCarroll, seconded by Mr. Ball and carried 6-0, it is RESOLVED that the agenda is approved.

b. A motion to approve the minutes of the Regular Board Meeting on December 16, 2020.

On the motion made by Mr. Ball, seconded by Ms. Lionetti and carried 6-0, it is RESOLVED that the minutes of the Board Meeting on November 18, 2020, are approved as presented.

c. A motion to approve the minutes of the Special Board Meeting on January 6, 2021.

On the motion made by Mr. Ball, seconded by Ms. Lionetti and carried 6-0, it is RESOLVED that the minutes of the Board Meeting on December 8, 2020, are approved as presented.

III. Oral Communication

Ms. Asay called upon any attendees who would like to make public comments regarding any item in the Closed Session Agenda or Public Session Agenda. There were no requests for public comment.

At this point Mr. Simonds had to leave the meeting for a business commitment.

IV. Closed Session

Ms. Asay moved the meeting into Closed Session at 5:45pm.

V. Reconvene Regular Session

Ms. Asay returned the meeting to public session at 6:39pm.

Ms. Asay provided a review of items covered in closed session. No formal action was taken by the board during closed session.

VI. Discussion Item

Ms. Asay asked Ms. Lionetti to provide an update on the campus closure and timeline for returning to hybrid. Ms. Lionetti described the issues relating to the need to extend virtual learning due to a staff member who was on campus with symptoms and later tested positive for COVID-19. This prompted the immediate quarantine of six staff members who were directly exposed to that individual based on county health standards. Today only one of those six is having symptoms and all have tested negative so far. In addition, we have an additional staff member who is demonstrating symptoms that has not been on campus. Ms. Asay asked Ms. Lionetti if there is anything from this experience which prompts any change in policy. She responded that this was an isolated incident based on someone showing symptoms choosing to come onto campus and circulate. Staff was reminded again of the policies and procedures in place which are considered adequate. There have been reminders to staff to avoid congregating inside while on campus.

VII. Organizational Reports

a. Executive Director Report

Ms. Lionetti shared some updating compliance items. School Accountability Report Card is due and will be completed by the end of the month. Local Control and Accountability Plan ("LCAP") is coming up which will involve a long process including an Annual update and 2021/2022 Plan with Budget. She also commented that HBCSD has a new Superintendent in place, Liesa Winston, who recently started. Middle School space will be a primary discussion item with her. One new substitute teacher has been added to the roster but two have left. It was noted that HBCSD has recently increased their substitute pay. We have posted on

Edjoin for an Aide position. Four students have been lost since the return from Winter Break and enrollment is now at 267. Pre-enrollment is currently at 97 applications.

We are now in 2nd Trimester and are beginning to incorporate things that make it feel more like Kinetic. PBL planning day this Friday with Design Templates and Outlines being shared. Planning is underway to incorporate Junior Achievement within the virtual environment. Spirit days are set and school pictures had to be rescheduled to February 12, 2021. Formal observations are in process which will be done virtually and in person. Post observation meetings will be held on Wednesdays. As of January 15, 2021, the school has 3 confirmed positive cases which is 1.4% of the population. There are currently 8 staff and students in quarantine situation.

b. Financials

Aaron Guibord from CSMS provided an overview of the financials as of December. Year-to-date surplus is at $114,310 and Net Assets are $984,725. Total revenues are within 0.6% of budgeted revenues which is 44% of total budget for year. LCFF revenues are slightly ahead of budget while State Lottery and Local Revenues are slightly behind. Personnel expenses are 2.6% under budget and at 44% of total budget for year. Non-personnel expenses are 21% under budget but it should be noted that many expenses under Educational Consultants are billed in arrears and therefore will catch up towards the end of the year. Cash position is considered sufficient to absorb the funding delay. Final budget revision will be completed in March. 2021/2022 budget will be completed in March/April.

c. Local Site Council

Ms. Warren presented the report for the LSC. The council had a meeting this afternoon to discuss upcoming work on LCAP.

d. Kinetic Parent Organization

Claire Anderson gave the KPO report including an updated Treasury Report. Total usable funds are $22,947.12. Numbers are still coming in for Penguin Patch and Panda Express Dine Out. Looking at a hat sale as a fundraiser with a custom KA logo. Virtual gala has been pushed off to the Spring to allow more time to plan. Beach cleanup scheduled for this Sunday weather permitting providing opportunities for community service. She noted that many beaches are in need of clean-up and independent activities are encouraged. Grade level events are being considered. For the holidays Waves of Kindness helped four families who reached out for need by providing weekly food boxes. This was weekly between Thanksgiving and Christmas. There were also gift sponsorships for Christmas.

VIII. Action Items

a. An action to approve the 2020 Audit Report.

The school's outside auditor, Eide Bailley, has completed the financial audit for the fiscal year ending June 30, 2020, and it is presented for approval. Mr. Ball pointed out that the audit did not have any qualified opinions.

On the motion made by Mr. Ball, seconded by Ms. Shewbridge and carried 5-0, it is RESOLVED that the revised 2020-21 Calendar is approved with a change of the January 4, 2021 break day being moved to March 8, 2021.

IX. Reconvene Closed Session

At 7:25pm the board returned to closed session.

X. Reconvene Regular Session

Ms. Asay returned the meeting to public session at 8:20pm.

Ms. Asay provided a review of items covered in closed session. No formal action was taken by the board during closed session.

XI. New Business

Ms. Asay polled the Directors asking if they had any additional business to discuss.

No member requested any additional business for discussion.

XII. Adjournment

An action to adjourn the meeting.

On the motion made by Mr. Ball, seconded by Ms. Shewbridge and carried 5-0, it is RESOLVED that the meeting be adjourned.

The meeting was adjourned at 8:22pm.

Minutes approved on February 17, 2021

CharterVision®

Year to Date Actual to Budget Summary

Kinetic Academy

July 2020 - December 2020

Segment Name	Filter Applied
Object	All
Restriction	All
Location	All
Lcp	All

	July - December				2020-2021	
Account Description	Actual	Budget	Variance $	Variance %	Total Budget	Remaining Budget
LCFF	$1,046,762	$1,046,762	-	0.0%	$2,382,300	$1,335,538
Federal Revenue	$99,356	$99,356	-	0.0%	$144,685	$45,329
Other State Revenue	$40,427	$40,427	-	0.0%	$79,922	$39,494
Local Revenue	$73,794	$73,794	-	0.0%	$197,701	$123,908
Total Revenue	$1,260,339	$1,260,339	-	0.0%	$2,804,608	$1,544,269
Certificated Salaries	$525,017	$525,017	-	0.0%	$1,175,302	$650,285
Classified Salaries	$83,831	$83,831	-	0.0%	$192,254	$108,423
Employee Benefits	$165,950	$165,950	$0	0.0%	$385,937	$219,987
Total Personnel Expenses	$774,798	$774,798	$0	0.0%	$1,753,493	$978,695
Books and Supplies	$81,562	$81,562	$0	0.0%	$187,000	$105,438
Services & Other Operating Expenses	$289,286	$289,286	$0	0.0%	$620,802	$331,516
Capital Outlay	-	-	-	0.0%	$5,204	$5,204
Other Outgo	$383	$383	-	0.0%	$24,330	$23,947
Total Operational Expenses	$371,231	$371,231	$0	0.0%	$837,336	$466,105
Total Expenses	$1,146,029	$1,146,029	$0	0.0%	$2,590,829	$1,444,800
Net Income	$114,310	$114,310	$0	0.0%	$213,779	$99,469

Financial Statements
June 30, 2020

Kinetic Academy

Charter No. 1812

Independent Auditor's Report 1

Financial Statements

Statement of Financial Position 3
Statement of Activities 4
Statement of Functional Expenses 5
Statement of Cash Flows 6
Notes to Financial Statements 7

Supplementary Information

Local Education Agency Organization Structure 17
Schedule of Average Daily Attendance 18
Schedule of Instructional Time 19
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 20
Note to Supplementary Information 21

Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 23

Independent Auditor's Report on State Compliance 25

Schedule of Findings and Questioned Costs

Summary of Auditor's Results 28
Financial Statement Findings 29
State Compliance Findings and Questioned Costs 31
Summary Schedule of Prior Audit Findings 32

Independent Auditor's Report

Governing Board
Kinetic Academy
Huntington Beach, California

Report on the Financial Statements
We have audited the accompanying financial statements of Kinetic Academy (the Organization) (a California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2020, and the related statement 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 Organization'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 Organization'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 above present fairly, in all material respects, the respective financial position of the Organization, 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

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information as listed in the table of contents 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. Such 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 8, 2020

Assets		
Current assets		
Cash and cash equivalents	$	588,917
Accounts receivable		461,848
Prepaid expenses		31,949
Total current assets		1,082,714
Non-current assets		
Security Deposits		21,260
Property and equipment, net		7,078
Total non-current assets		28,338
Total assets	$	1,111,052
Liabilities		
Current liabilities		
Accounts payable	$	72,470
Accrued liabilities		68,161
Current portion of revolving loan		49,998
Total current liabilities		190,629
Long-term obligations		
Revolving loan, less current portion		50,008
Total liabilities		240,637
Net Assets		
Without donor restrictions		870,415
Total net assets		870,415
Total liabilities and net assets	$	1,111,052

	Without donor Restrictions
Support and Revenues	
Local Control Funding Formula	$ 2,392,528
Federal revenue	38,728
Other State revenue	386,618
Local revenues	25,866
Interest income	3,492
Fundraising revenue	72,793
Total revenues	2,920,025
Expenses	
Program services	2,286,366
Management and General	281,178
Fundraising and development	31,274
Total expenses	2,598,818
Change in Net Assets	321,207
Net Assets, Beginning of Year	549,208
Net Assets, End of Year	$ 870,415

	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries	$ 1,223,309	$ 55,768	$ -	$ 1,279,077
Employee benefits	309,271	8,225	-	317,496
Payroll taxes	176,175	8,092	-	184,267
Fees for services	104,212	131,077	-	235,289
Advertising and promotions	-	6,143	-	6,143
Office expenses	25,252	3,287	-	28,539
Information technology	15,410	21,671	-	37,081
Occupancy	267,587	12,173	-	279,760
Conferences and meeting	24,268	195	-	24,463
Interest	-	802	-	802
Depreciation	-	5,052	-	5,052
Insurance	13,061	594	-	13,655
Other expenses	30,028	-	25,019	55,047
Capital outlay	2,385	109	-	2,494
Instructional materials	90,900	3,860	6,255	101,015
Nutrition	4,508	205	-	4,713
District oversight fees	-	23,925	-	23,925
Total functional expenses	$ 2,286,366	$ 281,178	$ 31,274	$ 2,598,818

Cash Flows from Operating Activities		
Change in net assets	$	321,207
Adjustments to reconcile change in net assets to net to net cash from operating activities		
Depreciation expense		5,052
Changes in operating assets and liabilities		
Accounts receivable		191,334
Prepaid expenses		(943)
Accounts payable		20,105
Accrued liabilities		(175,399)
Net Cash from Operating Activities		361,356
Cash Flows used for Financing Activities		
Principal payments on revolving loan		(49,998)
Net Change in Cash and Cash Equivalents		311,358
Cash and Cash Equivalents, Beginning of Year		277,559
Cash and Cash Equivalents End of Year	$	588,917
Supplemental Cash Flow Disclosure		
Cash paid during the period in interest	$	802

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Kinetic Academy (the Organization) was incorporated in the State of California in 2016 as a nonprofit public benefit corporation that is organized under the Nonprofit Public Benefit Corporation Law exclusively for charitable and educational purposes within the meaning of 501(c)(3) of the Internal Revenue Code of 1954. The Charter School was approved by the State of California Department of Education in 2016. The Charter School opened on September 1, 2016 and currently serves approximately 275 students in grades Kindergarten through fifth. On February 10, 2016, the Charter School was approved by the Huntington Unified School District for five years ending 2021.

Charter school number authorized by the State: 1812

The Charter School is located at 721 Utica Avenue, Huntington Beach, California, and provides a first rate education to students in grades transitional kindergarten through fifth grade. The Charter School mission: "Through an interdisciplinary educational experience, Kinetic Academy seeks to prepare students for 21st century careers as members of a democratic society through an interdisciplinary educational experience that provides them with a foundation for their lifetime."

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 restrictions. The Governing Board has designated, from net assets without donor restrictions, net assets for discretionary State grants.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all cash including cash in County Investment Pool and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible. Substantially all outstanding accounts receivable as of June 30, 2020 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

Property and Equipment

Property and equipment additions over $2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The majority of the Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. The Organization did have conditional contributions, but they did not have any conditional contributions that they have received in advance that have not been recognized in the financial statements.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Organization would otherwise purchase the services. No amounts have been reflected in the accompanying financial statements for contributed goods or services during the year being reported because items did not meet the definition above. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Organization for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Topic 606 is effective for the Organization for the year ended June 30, 2021. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

The Organization has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received and has early adopted the provisions of contributions made. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Organization has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Organization's financial statements.

On June 3, 2020, the FASB issued Accounting Standards Update (ASU) 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) Effective Dates for Certain Entities, as part of its efforts to support and assist stakeholders as they cope with the many challenges and hardships related to the COVID-19 pandemic.

ASU 2020-05 defers the effective date of FASB ASC 606, *Revenue from Contract with Customers*, for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 606. Those entities may elect to adopt FASB ASC 606 for annual reporting periods beginning after December 15, 2019, and for interim reporting periods within annual reporting periods beginning after December 15, 2020. Those entities may elect to follow the original effective date of annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

The effective date for a public business entity, a nonprofit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the Securities and Exchange Commission (SEC) is not affected by the amendments in this ASU.

The effective date of FASB ASC 842, *Leases*, is deferred by one year, as follows:

For private companies and private nonprofits, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

For public nonprofits that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 842, to fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2020-05.

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 the following:

Cash and cash equivalents	$ 588,917
Accounts receivable and other assets	493,797
Total	$ 1,082,714

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in the county investment pool.

Note 3 - Property and Equipment

Property and equipment consist of the following at June 30, 2020:

Equipment	$ 25,260
Less accumulated depreciation	(18,182)
Total	$ 7,078

Note 4 - Revolving Loan

The Organization applied for, and was accepted, into the California School Finance Authority Revolving Loan Fund Program in 2016. The Organization received an uncollateralized loan in the amount of $250,000. The loan bears an interest rate of 0.60% with a maturity date in 2022. The repayment will be withheld from the Organization’s future apportionment payments.

Future minimum payments are as follows:

Year Ending June 30,	Principal
2021	$ 49,998
2022	50,008
Total	$ 100,006

Note 5 - Operating Lease

The Organization entered into a lease agreement in which the Organization will occupy 719-721 Utica Avenue, Huntington Beach, California for its campus location. The term of this agreement expires in 2022. Lease expense for the fiscal year ending June 30, 2020 was $262,260, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2021	$ 270,132
2022	278,232
Total	$ 548,364

Note 6 - Net Assets

Net assets consist of the following at June 30, 2020:

Net Assets Without Donor Restrictions		
Designated for State Program	$	19,729
Undesignated		850,686
Total net assets without donor restrictions	$	870,415

Note 7 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer 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 (c) if the Organization chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Organization has no plans to withdraw from this multi-employer plan.

The details of the plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Organization contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Organization contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, Organization, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the Organization's total contributions were $186,809.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Organization. These payments consist of State General Fund contributions to CalSTRS in the amount of $100,591 (10.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of this contribution has been recorded in the amount of $33,742 in these financial statements.

Note 8 - Contingencies

The Organization has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Note 9 - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 8, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

Subsequent to year-end, the Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the Organization's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Supplementary Information
June 30, 2020

Kinetic Academy

ORGANIZATION

Kinetic Academy (the Organization) (Charter Number 1812) was granted on February 10, 2016, by Huntington Beach City School District. The Organization operates one school.

Governing Board

Member	Office	Term Expires
Michele Asay	Board Chair	June 30, 2021
Jeffrey Ball	Vice Chair	June 30, 2021
Bre Lionetti	Member/Executive Director	June 30, 2021
Bret McCarroll	Member	June 30, 2022
Christine Shewbridge	Treasurer	June 30, 2022
Paul Simonds	Member	June 30, 2022

Administration

Name	Title
Bre Lionetti	Executive Director

	Second Period Report FB96DC6F	Annual Report A0427AE6
Regular ADA		
Transitional kindergarten through third	197.61	197.61
Fourth and fifth	78.07	78.07
Total regular ADA	275.68	275.68
Classroom Based ADA		
Transitional kindergarten through third	197.61	197.61
Fourth and fifth	78.07	78.07
Total classroom based ADA	275.68	275.68

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	53,230	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,080	180	N/A	Complied
Grade 2		58,580	180	N/A	Complied
Grade 3		58,580	180	N/A	Complied
Grades 4 - 5	54,000				
Grade 4		58,580	180	N/A	Complied
Grade 5		58,580	180	N/A	Complied

See Note to Supplementary Information

Summarized below are the net asset reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

Net Assets	
Balance, June 30, 2020, Unaudited Actuals	$ 779,863
Decrease in	
Accrued liabilities	90,552
Balance, June 30, 2020, Audited Financial Statements	$ 870,415

Note 1 - Purpose of Supplementary Schedules

Local Education Agency Organization Structure

This schedule provides information about the Organization's operations, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Organization. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at the Organization.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Organization and whether the Organization complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

The Organization must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Due to school closures caused by COVID-19, the Organization filed the COVID-19 School Closure Certification certifying that schools were closed for 48 days due to the pandemic. As a result, the Organization received credit for these 48 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets reported on the unaudited actual financial report to the audited financial statements.

Independent Auditor's Reports
June 30, 2020

Kinetic Academy

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Governing Board
Kinetic Academy
Huntington Beach, 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 Kinetic Academy (the Organization) which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2020.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying financial statement findings as item 2020-001, that we consider to be a significant deficiency.

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

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

Kinetic Academy's Response to Finding
The Organization's response to the finding identified in our audit is described in the accompanying financial statement findings. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 8, 2020

Independent Auditor's Report on State Compliance

Governing Board
Kinetic Academy
Huntington Beach, California

Report on State Compliance
We have audited Kinetic Academy's (the Organization) 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* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on the Organization's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the Organization'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. However, our audit does not provide a legal determination of the Organization's compliance.

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

CHARTER SCHOOLS	Procedures Performed
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

We did not perform California Clean Energy Jobs Act procedures because the Organization did not receive funding for this program.

We did not perform procedures for the After/Before School Education and Safety Program because the Organization does not offer the program.

The Organization does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Organization is classroom-based.

We did not perform procedures for the Charter School Facility Grant Program because the Organization did not receive funding for this program.

Unmodified Opinion

In our opinion, Kinetic Academy complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 8, 2020

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

STATE COMPLIANCE

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

The following finding represents significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2020-001 30000 – Payroll Audit Adjustment

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatements, whether due to error or fraud. This includes the posting of all material adjustments necessary to close the year and accurately reflect the activity of the Organization.

Condition

Communicating Internal Control Related Matters Identified in an Audit defines a material weakness and significant deficiency. According to these definitions, an internal control system design must include elements to accurately prepare financial statements without adjustments by the auditors.

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

At year end, it was noted that a bonus payout had been accrued as of June 30, 2019 and subsequently expensed again during the 2019-2020 fiscal year. It was noted that the bonuses were paid on the April 30, 2020 payroll run.

Effect

We proposed a material audit adjustments to the Organization’s recorded account balances in the financial statements which, if not recorded, would have resulted in a material misstatement of the Organization’s financial statements.

Cause

The cause of the condition identified appears to have resulted from recent changes in the Organization's restructuring of the Organization accounting due to the necessary changes as a result of accounting for a second charter school under new regulations

The cause of the condition identified appears to have resulted from new personnel working from home due to COVID-19, resulting in a lapse for stronger management oversight.

Recommendation

We recommend management and those charged with governance evaluate the internal control structure and consider changes as necessary that will ensure that the financial statements are free from potential material misstatements and allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Repeat Finding

No

Views of Responsible Officials

Management views the adjustment as preventable and will ensure strict oversight in all areas.

Corrective Action Plan

We recommend management and those charged with governance evaluate the internal control structure and consider changes as necessary that will ensure that the financial statements are free from potential material misstatements and allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.