SECOND SPECIAL REPORT

Submitted by:

California Preparatory College
245 East Redlands Blvd.
San Bernardino, CA 92408

to

Accrediting Commission for Community and Junior Colleges

November 15, 2024

Introduction

On June 12, 2024, ACCJC issued a letter 1) accepting CPC's report in response to an Action Letter, 2) issuing a warning, 3) accepting the submitted Teach-Out plan and, 4) requesting that CPC submit a Second Special Report to address the deficiencies within six months, with such report including an external 2023 financial audit. This second report had a deadline for submission to ACCJC of November 11, 2024.

In consideration of the accreditation standards and the requirements of ACCJC, it has been and will continue to be, the intention of the College to meet every requirement or deficiency, meet every accreditation standard, and be a fully approved active member of ACCJC.

In response to the June 2024 ACCJC letter, this report outlines the following:

- The fact CPC has not yet submitted an external 2023 financial audit that would bring them into compliance with the related Eligibility Requirements.
- Reasons why the submission of such audit is late.
- Answering how CPC resolves its debt management issues.

The External Audit of 2023

CPC has submitted to ACCJC year-end financials for 2023 by the deadline of November 15, 2024, however, the audited statements are still unavailable at this time. This is very disappointing to us, and we are sure it is also disappointing to the committee members who are responsible for reviewing our status.

CPC assures that such external **audit will be completed and submitted prior to the January commission meeting** as an audited statement meeting the requirements.

A brief explanation of missing this deadline is centered around some of the same complications that we explained in our response last Spring.

The expense, timing, and documentation of completing three audits in one year, as well as working on the fourth one so that we do not get behind, has been difficult at best and severely complicated our ability to meet the deadline.

However, we have not avoided the topic and have been working diligently to complete this requirement – with the audit for 2024 already in the works.

As to the status of the 2023 audit, we have provided all 2023 financial data and made partial payment of the fees to our auditors. Unfortunately, we are simply at the mercy of their schedule and their ability to complete and finalize the audit – which turns out to be too late to meet the November 15 deadline.

Our original problem, and one of the main reasons for the delay, was our need to completely move our campus with the related costs and flow of information. As you know, we are a very small school who does not yet receive DOE money and we are funded completely from student payments which has kept our budget very tight and does not allow us to engage full-time people in audit preparation and management.

Resolution of Debt Management Issues

When looking at the college's financials it is easy to question if the college will ever be able to handle its debt.

Several factors indicate that this is not going to be an issue.

It is true that the college is not a large or wealthy institution and has had more than its share of struggles getting to where it is today. However, the college believes it will continue to resolve these issues. This belief is based on its continued operation without any DOE approval or any major donor or sponsor, and for its ability to continue to grow in spite of this. It believes it will continue to grow and thrive financially once it gains DOE funding and is able to implement its marketing plan.

For the last several years the college has not gone any deeper in debt and has been able to manage all of its outstanding debts that are attached to the institution. We have done this while moving campuses, going through the accreditation process, surviving 2 years of COVID while losing the majority of its revenue from international students, and several other prolonged processes.

The reason we are able to overcome the above-mentioned obstacles and yet maintain a high-quality program is because of the way we have managed our debt and maintained a relatively low-cost operation. These reasons are as follows:

- We have moved to a low-cost, high quality facility.

- Our major note payable is to a group of a few individuals who are friends of the institution who helped us start originally more than a decade ago. This note is not only held by an organization made up of a small number of wealthy and supportive individuals, but also is set up so that there can be no payment until after DOE money can be processed, then an institution friendly payment plan will be followed where the amount can be paid back over a long period of time.

- All the minor notes payable are either held by friends of the institution or managed via work-out payoffs and write-offs.

- We have approximately 38 mostly part-time employees who do what they do for the mission of the institution and are willing to work for below market wages. We are in a community that is made up of highly educated people, being close to Loma Linda University, who get excited about teaching classes either as volunteers or being compensated with low-cost stipends.

- For the last several years we have actually decreased our debt load even without DOE money and without any massive growth in student population.

- We will eventually cover all our debt either via the small payments and negotiation process as we are currently doing, or once we receive DOE money, we will manage a slow payment plan that eventually will cover it all.

Given the circumstances, we are actually functioning reasonably well but continue to be tight financially as we make necessary tenant improvements to our new campus, regrow our international student population (which makes up the majority of our student revenue after COVID), and continue to allow American students to attend while self-funding scholarships to act as a Pell Grant equivalency.

As a reminder, we were approved for accreditation during COVID. Thereafter, we applied immediately for DOE approval so that we could award Pell grants. We do not intend to give student loans.

After our application was submitted, the DOE stopped processing applications due to COVID causing our submission to sit for almost 2 years. Once the DOE re-commenced processing, we were informed that everything previously submitted was now outdated and that we needed to start the process again and provide a different audit format.

We have begun the DOE Title IV application process again and hope to be approved and have the ability to give Pell Grants as early as next Summer.

We continue to run a high-quality institution and have accomplished the following improvements despite not having Title IV funding and not yet being able to fully implement our marketing plan:

- Through word of mouth, we have grown significantly from under 100 students when we received our accreditation, to servicing about 250 students per year for the last 2 years.
- We have added some new certificate programs and community relationships that have strengthened who we are and deepened our ties to our community.
- During the last two years we have not increased our debt and we easily meet and manage our debt payments.
- We continue to have high quality masters and doctorate level teachers teaching our programs.
- We are very mission-driven and a majority of our people work at low stipends and volunteer - even though they are highly qualified.

- We have an estimated 90% retention rate and an even higher job placement rate where our students end up in high paying jobs or are transferred on to four-year colleges and universities.

Thank you for considering our reasons for being late with our 2023 audit and understanding that we have a reasonable financial plan to manage our debt. We are working very hard to meet each of ACCJC's requirements and in the meantime continue to operate a school that takes very good care of our students and provides an excellent education.

Conclusion

For all the above reasons, CPC is eager to meet all of ACCJC's eligibility requirements, including having its audits submitted on time. As stated previously, it is CPC's desire and commitment to continue its activities as an active, high-quality member of ACCJC.

Importantly – it is our commitment to submit the required audit at issue prior to the January 2025 commission meeting.

Please let me know if there is any further information or evidence that the College can provide to answer any questions or provide any explanations that ACCJC have regarding the above.

Respectfully,

Gene Edelbach
President/CEO
California Preparatory College