

**MAKING WAVES ACADEMY
CHARTER SCHOOL NUMBER: 0868**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

Draft - For Discussion Only

**MAKING WAVES ACADEMY
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Making Waves Academy
Richmond, California

Report on the Financial Statements

We have audited the accompanying financial statements of Making Waves Academy (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying supplementary schedules as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated 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 on the School'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 School's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

**MAKING WAVES ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,876,150
Accounts Receivable - Federal and State	4,356,802
Prepaid Expenses and Other Assets	<u>352,959</u>
Total Current Assets	<u>7,585,911</u>

LONG-TERM ASSETS

Property, Plant, and Equipment, Net	<u>305,896</u>
Total Long-Term Assets	<u>305,896</u>

Total Assets	<u><u>\$ 7,891,807</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 1,644,814
Deferred Revenue	<u>563,157</u>
Total Current Liabilities	<u>2,207,971</u>

NET ASSETS

Without Donor Restrictions	<u>5,683,836</u>
Total Net Assets	<u>5,683,836</u>

Total Liabilities and Net Assets	<u><u>\$ 7,891,807</u></u>
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See accompanying Notes to Financial Statements.

**MAKING WAVES ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Total
REVENUES, WITHOUT DONOR RESTRICTIONS	
State Revenue:	
Principal Apportionment	\$ 7,884,439
Other State Revenue	2,567,678
Federal Revenue:	
Grants and Entitlements	1,975,925
Local Revenue:	
In-Lieu Property Tax Revenue	3,097,877
Contributions	10,623,001
In-Kind Contributions	24,000
Total Revenues	26,172,920
EXPENSES	
Program Services	20,708,221
Management and General	2,043,279
Total Expenses	22,751,500
CHANGE IN NET ASSETS	3,421,420
Net Assets Without Donor Restrictions, Beginning of Year	2,262,416
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ 5,683,836

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See accompanying Notes to Financial Statements.

**MAKING WAVES ACADEMY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 3,421,420
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	18,200
Change in Operating Assets:	
Accounts Receivable - Federal and State	(2,046,084)
Accounts Receivable - Other	62,177
Prepaid Expenses and Other Assets	(63,147)
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	282,565
Deferred Revenue	563,157
Net Cash Provided by Operating Activities	2,238,288

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of Debt	(2,474,435)
Net Cash Used by Financing Activities	(2,474,435)

NET CHANGE IN CASH AND CASH EQUIVALENTS

(236,147)

Cash and Cash Equivalents - Beginning of Year

3,112,297

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,876,150

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**MAKING WAVES ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 10,826,555	\$ 1,238,023	\$ 12,064,578
Pension and Retirement Plan	1,423,046	83,782	1,506,828
Other Employee Benefits	1,716,507	185,761	1,902,268
Payroll Taxes	366,246	62,619	428,865
Oversight Fees	105,938	-	105,938
Legal Expenses	85,051	9,450	94,501
Accounting Expenses	26,130	2,903	29,033
Other Fees for Services	1,988,048	145,520	2,133,568
Office Expenses	766,370	77,750	844,120
Information Technology Expenses	661,638	73,515	735,153
Occupancy Expenses	2,020,053	128,619	2,148,672
Advertising and Promotion	-	10,356	10,356
Travel Expenses	159	18	177
Conference and Meeting Expenses	49,791	5,532	55,323
Depreciation Expense	18,200	-	18,200
Insurance Expense	159,754	17,751	177,505
Instructional Materials	314,482	-	314,482
Student Transportation	13,861	-	13,861
Other Expenses	166,392	1,680	168,072
Total	<u>\$ 20,708,221</u>	<u>\$ 2,043,279</u>	<u>\$ 22,751,500</u>

See accompanying Notes to Financial Statements.

**MAKING WAVES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Making Waves Academy (the School) is a nonprofit public benefit corporation. The School was approved by the Contra Costa County Board of Education for a five-year charter and was approved as a public charter school by the State of California Department of Education on May 9, 2007 (charter #868). On February 15, 2017, the Contra Costa County Board of Education renewed the School's charter through June 30, 2022. In July 2021, Governor Gavin Newsom signed into law a requirement to extend most charter school petition terms by two years. The extensions apply to all charters that would otherwise expire on or between January 1, 2022 and June 30, 2025. Therefore, the School's charter term is extended to June 30, 2024.

The School started in August 2007, and currently serves approximately 1,086 students in grades 5 through 12.

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

Mission

The School commits to rigorously and holistically preparing students to gain acceptance to and graduate from college to ultimately become valuable contributors to the workforce and their communities.

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.

**MAKING WAVES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, printing and postage, information technology, and other expenses, which are allocated on the basis of estimates of time and effort.

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.

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. 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. There were no net assets with donor restrictions at June 30, 2021.

Accounts Receivable

Accounts receivable – other represents amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2021. Accounts receivable – federal and state represents amounts due from federal and state governments as of June 30, 2021. 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 life of the asset. Useful lives range between 5 years for equipment to 39 years for certain leasehold improvements. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$25,000.

**MAKING WAVES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Assets and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Total contributed assets and services was \$24,000 for a golf cart and psychologist services rendered during the year ended June 30, 2021.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The current portion of the liability, if material, is recognized at year-end. 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. Sick leave is accumulated without limit for each employee at the equivalent rate of two-thirds of a day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

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 restrictions 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 restrictions. 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. As of June 30, 2021, all amounts have been expended and recognized as revenue.

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 are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**MAKING WAVES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, the School has conditional grants from government agencies of \$3,521,884 that have not been recognized as revenue in the statement of activities because conditions have not been met. As of June 30, 2021, the School has received conditional grants of \$563,157 that are recognized as deferred revenue in the statement of financial position because conditions have not yet been met.

Property Taxes

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

Income Taxes

The 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 an exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Evaluation of Subsequent Events

The School has evaluated subsequent events through REPORT DATE, the date these financial statements were available to be issued.

MAKING WAVES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and accounts receivable for the total amount of \$7,232,952.

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 cash balances held in banks which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). 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.

During the year ended June 30, 2021, approximately 35% of the School's total revenue was derived from one major donor. There was no related accounts receivable balance as of June 30, 2021.

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

The School's property, plant, and equipment consisted of the following as of June 30, 2021:

Leasehold Improvements	\$ 435,813
Equipment, Furniture and Fixtures	83,860
Vehicles	22,400
Total	<u>542,073</u>
Less: Accumulated Amortization	(236,177)
Total Property, Plant, and Equipment	<u><u>\$ 305,896</u></u>

Depreciation expense for the year ended June 30, 2021 was \$18,200.

NOTE 5 NOTES PAYABLE

In April 2020 the School obtained a Small Business Administration Paycheck Protection Program loan from a local financial institution in the amount of \$2,474,435. The loan carried an interest rate of 1%. The School paid the loan in full in July 2020.

**MAKING WAVES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 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.

The risks of participating in these multiemployer defined benefit pension plans 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 (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 these multiemployer plans.

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, 2020 total STRS plan net assets are \$283 billion, the total actuarial present value of accumulated plan benefits is \$405 billion, contributions from all employers totaled \$6.1 billion, and the plan is 67.1% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies 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 STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2021 was 16.15% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

<u>Year Ending June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2019	\$ 842,843	100%
2020	\$ 958,196	100%
2021	\$ 1,402,076	100%

**MAKING WAVES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 EMPLOYEE RETIREMENT (CONTINUED)

Defined Contribution 403(b) Retirement Plan

The School offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. Employees may contribute their own amounts to the plan at any time. The employer will match noninstructional staff contributions on the following schedule: after six months of service 3%; after three years of service 4%; after five years of service 5% and after ten years of service 6%. Employees are fully vested at the time contributions are made. The amount of employer contributions used to purchase annuity contracts for the year ended June 30, 2021 was \$104,752.

NOTE 7 OPERATING LEASES

The School leases its facilities from a related party (see Note 8) under a lease agreement expiring in June 2021, which was renewed through June 2022. Lease expense under these agreements for the year ended June 30, 2021 was \$1,685,749.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 1,753,179</u>

NOTE 8 RELATED PARTY TRANSACTIONS

The School has a related party nonprofit organization named Making Waves Foundation, Inc. (MWF). The School leases facility from MWF (see Note 7).

NOTE 9 JOINT POWERS AGREEMENT

The School entered into a Joint Powers Agreement (JPA) known as the California Charter School Association Joint Powers Authority (CCSA-JPA): a self-insurance plan for workers' compensation, property/casualty, and school board liability insurance. The CCSA-JPA is governed by a board of five members, two of which represent member organizations. The board controls the operation of the CCSAJPA including selection of management and approval of operating budgets independent of any influence by the member organizations beyond their representation on the board. Each member organization pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the CCSA-JPA. The CCSA-JPA is a 501(c) agency trust, which is audited by an independent accounting firm.

**MAKING WAVES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 CONDITIONAL PROMISE TO GIVE FROM PRIVATE DONOR

The School has a conditional promise to give from a private donor, The Artemis Rising Foundation, which has legally and irrevocably committed \$25 million for the purpose of supplementing the School's operating and capital needs to the extent where these funds cannot be raised elsewhere. This commitment is for five years of the School's operations beginning with the 2018 fiscal year. The School did not receive or record any amounts under this conditional promise to give at June 30, 2021.

NOTE 11 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.

In prior fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its 2022 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

SUPPLEMENTARY INFORMATION

Draft - For Discussion Only

**MAKING WAVES ACADEMY
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2021**

Making Waves Academy (the School) was approved by the Contra Costa County Board of Education for a five-year charter and was approved as a public charter school by the State of California Department of Education on May 9, 2007 (charter #868). On February 15, 2017, the Contra Costa County Board of Education renewed the School's charter through June 30, 2022. In July 2021, Governor Gavin Newsom signed into law a requirement to extend most charter school petition terms by two years. The extensions apply to all charters that would otherwise expire on or between January 1, 2022 and June 30, 2025. Therefore, the School's charter term is extended to June 30, 2024.

The board of directors and the administrator as of the year ended June 30, 2021 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3 year term)</u>
Alicia Klein	Board Chair	December 31, 2021
Maricela Navarro	Board Secretary	December 31, 2021
Dr. Esther Hugo	Board Member	December 31, 2021
Carlos-Manuel Chavarria	Board Member	December 31, 2023
Margaret Watson	Board Member	December 31, 2023
Burak Gursel	Board Member	December 31, 2023
Jessica Laughlin	Board Member	December 31, 2023
Layla Narajon	Board Member	December 31, 2021
Janis Glover	Board Member	December 31, 2023

ADMINISTRATOR

Alton B. Nelson, Jr.	Chief Executive Officer
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**MAKING WAVES ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2021**

	<u>Traditional Calendar Days</u>	<u>Status</u>
Grade 5	180	In compliance
Grade 6	180	In compliance
Grade 7	180	In compliance
Grade 8	180	In compliance
Grade 9	180	In compliance
Grade 10	180	In compliance
Grade 11	180	In compliance
Grade 12	180	In compliance

Draft - For Discussion Only

**MAKING WAVES ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

There were no reclassifications or adjustments for the year ended June 30, 2021.

Draft - For Discussion Only

**MAKING WAVES ACADEMY
WCCUSD MEASURE G PARCEL TAX REVENUE AND EXPENSES
YEAR ENDED JUNE 30, 2021**

The Measure “G” was authorized by an election of the registered voters of West Contra Costa Unified School District (WCCUSD). Measure “G” was approved to protect core academics reading, writing, math, and science, attract and retain qualified teachers, prepare students for college and workforce, provide smaller class sizes for the youngest children, provide classroom computers and technology, improve safety on and around campuses, support after-school programs to keep kids away from gangs and drugs, support science laboratories, materials and activities, and support libraries for WCCUSD and its sponsored charter schools by collecting taxes of 7.2 cents per square foot of total building area on each parcel of taxable real property with the District or a tax of \$7.00 per unimproved parcel of taxable real property.

	Year Ended		
	June 30, 2019	June 30, 2020	June 30, 2021
REVENUES			
Program Revenue	\$ 193,208	\$ 275,348	\$ 298,408
EXPENSES			
Salaries and Wages	172,911	227,202	277,885
Other Employee Benefits	20,297	48,146	20,523
Total Expenses	<u>193,208</u>	<u>275,348</u>	<u>298,408</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The charter school spent these funds on salaries, wages, and other employee benefits to improve safety on and around campus.

**MAKING WAVES ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total
U.S. Department of Education			
Pass-Through Program From California Department of Education:			
Every Student Succeeds Act Title I, Part A, Basic Grants:			
Low-Income and Neglected	84.010	03797	\$ 323,603
Title II, Part A, Teacher Quality	84.367	14341	42,935
Title III, Limited English Proficiency	84.365	10084	29,668
Title IV, Student Support	84.424	N/A	<u>22,897</u>
Total			419,103
Elementary and Secondary School Emergency Relief Fund	84.425D	N/A	247,985
Governor's Emergency Education Relief Fund	84.425C	N/A	<u>29,441</u>
Total Elementary and Secondary Education Cluster			277,426
Special Education Cluster: Special Education - IDEA	84.027	13379	<u>135,040</u>
Total Special Education Cluster			<u>135,040</u>
Total U.S Department of Education			831,569
U.S. Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program Especially Needy Breakfast	10.553	13526	118,210
National School Lunch Program	10.555	13396	223,306
Meal Supplements	10.555	13396	933
Child Nutrition Cluster Subtotal			<u>342,449</u>
Total U.S Department of Agriculture			342,449
U.S. Department of Treasury			
Pass-Through Program From California Department of Education:			
Coronavirus Relief Fund	21.019	15536	<u>801,907</u>
Total U.S Department of Treasury			801,907
Total Federal Expenditures			<u>\$ 1,975,925</u>

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

**MAKING WAVES ACADEMY
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

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 provisions of California Education Code.

NOTE 2 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 3 WCCUSD MEASURE G PARCEL TAX REVENUE AND EXPENSES

This schedule provides the revenues and expenditures for Measure G Parcel Tax for the past three years.

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 governmental for the year ended June 30, 2021. 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). Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement. 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
Making Waves Academy
Richmond, 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 Making Waves Academy (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated REPORT DATE.

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 financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 School’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 School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

Draft - For Discussion Only

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

Board of Directors
Making Waves Academy
Richmond, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Making Waves Academy (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School'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 compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of 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, 2021.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 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, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Board of Directors
Making Waves Academy
Richmond, California

We have audited Making Waves Academy's (the School) compliance with the types of compliance requirements described in the *2020-2021 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, 2021. The School's state compliance requirements are identified in the table below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School's compliance.

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>
Local Education Agencies:	
Attendance and Distance Learning	Yes
Instructional Time	Yes
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Charter School Facility Grant Program	Yes

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2021.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

Draft - For Discussion Only

**MAKING WAVES ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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

CFDA Number(s)

21.019

Name of Federal Program or Cluster

Coronavirus Relief Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**MAKING WAVES ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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

There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for June 30, 2021.

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**MAKING WAVES ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

There were no findings and questioned costs related to the basic financial statements or state awards for June 30, 2020.

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