

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023**

*Draft - For Discussion Only*

**MAKING WAVES ACADEMY  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Making Waves Academy  
Richmond, California

### Report on the Audit of the Financial Statements

#### **Opinion**

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, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

***Auditors' Responsibility for the Audit of the Financial Statements***

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

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

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

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

**Supplementary Information**

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

**Other Reporting Required by Government Auditing Standards**

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

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE

**MAKING WAVES ACADEMY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 8,494,368
Accounts Receivable - Federal and State	5,958,257
Prepaid Expenses and Other Assets	<u>389,343</u>
Total Current Assets	<u>14,841,968</u>

**LONG-TERM ASSETS**

Property, Plant, and Equipment, Net	269,495
Operating ROU Asset	<u>158,293</u>
Total Long-Term Assets	<u>427,788</u>

Total Assets	<u><u>\$ 15,269,756</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	\$ 3,122,625
Current Lease Liability	63,360
Deferred Revenue	<u>3,868,015</u>
Total Current Liabilities	<u>7,054,000</u>

**LONG-TERM LIABILITIES**

Long-Term Lease Liability, Net of Current Portion	<u>95,014</u>
Total Long-Term Liabilities	95,014

**NET ASSETS**

Without Donor Restrictions	<u>8,120,742</u>
Total Net Assets	<u>8,120,742</u>

Total Liabilities and Net Assets	<u><u>\$ 15,269,756</u></u>
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**MAKING WAVES ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

**REVENUES, WITHOUT DONOR RESTRICTIONS**

State Revenue:	
Principal Apportionment	\$ 9,927,260
Other State Revenue	4,923,112
Federal Revenue:	
Grants and Entitlements	2,105,547
Local Revenue:	
In-Lieu Property Tax Revenue	3,552,383
Contributions	8,684,325
Investment Income	66,531
Total Revenues	29,259,158

**EXPENSES**

Program Services	26,319,506
Management and General	1,809,714
Total Expenses	28,129,220

**CHANGE IN NET ASSETS**

1,129,938

Net Assets Without Donor Restrictions - Beginning of Year

6,990,804

**NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR**

\$ 8,120,742

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**MAKING WAVES ACADEMY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 1,129,938
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	18,201
Change in Operating Assets:	
Accounts Receivable - Federal and State	(1,858,804)
Prepaid Expenses and Other Assets	(78,847)
Operating ROU Asset	(158,293)
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	962,378
Deferred Revenue	3,216,226
Lease Liability - Operating	158,373
Net Cash Provided by Operating Activities	3,389,172
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,389,172</b>
Cash and Cash Equivalents - Beginning of Year	5,105,196
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 8,494,368</b>

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See accompanying Notes to Financial Statements.



**MAKING WAVES ACADEMY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 13,168,443	\$ 1,055,960	\$ 14,224,403
Pension and Retirement Plan	1,439,773	91,319	1,531,092
Other Employee Benefits	2,014,631	146,418	2,161,049
Payroll Taxes	463,427	46,582	510,009
Oversight Fees	134,796	-	134,796
Legal Expenses	114,667	8,631	123,298
Accounting Expenses	29,953	3,328	33,281
Other Fees for Services	2,794,497	112,212	2,906,709
Office Expenses	587,612	40,155	627,767
Information Technology Expenses	840,961	63,298	904,259
Occupancy Expenses	3,121,978	197,197	3,319,175
Travel Expenses	34,137	2,570	36,707
Conference and Meeting Expenses	95,746	7,207	102,953
Depreciation Expense	18,201	-	18,201
Insurance Expense	446,890	33,637	480,527
Instructional Materials	498,622	-	498,622
Student Transportation	239,499	-	239,499
Other Expenses	275,673	1,200	276,873
	<u>\$ 26,319,506</u>	<u>\$ 1,809,714</u>	<u>\$ 28,129,220</u>
Total			

See accompanying Notes to Financial Statements.

**MAKING WAVES ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**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. In July 2023, Governor Gavin Newsom signed into law a requirement to extend most charter school petitions terms by an additional year. Therefore, the school's charter term are extended to June 30, 2025.

The School started in August 2007, and currently serves approximately 1,123 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, 2023**

**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, 2023.

**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, 2023. Accounts receivable – federal and state represents amounts due from federal and state governments as of June 30, 2023. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

**MAKING WAVES ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

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

**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.

**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. There was no contributed assets and services during the year ended June 30, 2023.

**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 restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

**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, 2023**

**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, 2023, the School has conditional grants of \$5,162,523 of which \$3,868,015 is recognized as deferred revenue in the statement of financial position.

**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 files an exempt School return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**Leases**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

**MAKING WAVES ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

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

**Leases (Continued)**

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

**Adoption of New Accounting Standards**

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The School adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available.

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

In addition, the School elected the hindsight practical expedient to determine the lease term for existing leases. The election of the hindsight practical expedient resulted in the shortening of the lease term for the existing lease and the useful life of the corresponding leasehold improvements.

As a result of the adoption of the new lease accounting guidance, the School recognized on July 1, 2022 a ROU asset at the carrying amount of the operating lease asset of \$205,093. The School also recognized on July 1, 2022 a lease liability of \$158,374, which represents the present value of the remaining finance lease payments discounted using the School's incremental borrowing rate ranging from 2.87% of 3.88%.

**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, 2023**

**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 \$14,452,625. 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, 2023, approximately 25% of the School's total revenue was derived from one major donor. There was no related accounts receivable balance as of June 30, 2023.

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

The School's property, plant, and equipment consisted of the following as of June 30, 2023:

Leasehold Improvements	\$ 435,813
Vehicles	22,400
Total	<u>458,213</u>
Less: Accumulated Amortization	(188,718)
Total Property, Plant, and Equipment	<u><u>\$ 269,495</u></u>

Depreciation expense for the year ended June 30, 2023 was \$18,201.

**NOTE 5 EMPLOYEE RETIREMENT**

**Multiemployer Defined Benefit Pension Plans**

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California.

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.

**MAKING WAVES ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)**

**State Teachers' Retirement System (STRS)**

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2022 total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6.513 billion, and the plan is 74.4% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://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, 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

<u>Year Ending June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2021	\$ 1,402,076	100%
2022	\$ 1,239,354	100%
2023	\$ 1,406,879	100%

**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, 2023 was \$124,213.



**MAKING WAVES ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 FACILITIES USE AGREEMENT**

The School has entered a facilities use agreement with Making Waves Education Foundation which expired in June 2023, and was renewed through June 2024. Lease expense under this agreement for the year ended June 30, 2023 was \$1,840,838.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2024	\$ 1,840,838

**NOTE 7 OPERATING LEASE AGREEMENTS**

The School leases equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2026. The expected amount payable under the residual guarantees is \$158,374 at June 30, 2023

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

Year Ending June 30,	Amount
2024	\$ 67,900
2025	66,937
2026	30,881
Total Lease Payments	165,718
Less: Interest	(7,344)
Present Value of Lease Liabilities	\$ 158,374

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

Quantitative Disclosures:

Lease Cost:

Operating lease cost	\$ 51,395
Total lease cost	51,395

Other Information:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 51,314
Right-of-use assets obtained in exchange for new operating lease liabilities:	205,093
Weighted-average remaining lease term - operating leases	2.4 years
Weighted-average discount rate - operating leases	3.55%

**MAKING WAVES ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 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 CCSA-JPA 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.

**NOTE 9 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.

**NOTE 10 SUBSEQUENT EVENTS**

In July 2023, Governor Gavin Newsom signed into law a requirement to extend most charter school petitions terms by an additional year. Therefore, the school's charter term are extended to June 30, 2025.

**SUPPLEMENTARY INFORMATION**

Draft - For Discussion Only

**MAKING WAVES ACADEMY  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 YEAR ENDED JUNE 30, 2023  
 (SEE INDEPENDENT AUDITORS' REPORT)  
 UNAUDITED**

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. In July 2023, Governor Gavin Newsom signed into law a requirement to extend most charter school petitions terms by an additional year. Therefore, the school's charter term are extended to June 30, 2025.

The board of directors and the administrator as of the year ended June 30, 2023 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, 2023
Ana Barron	Board Member	June 30, 2023
Dr. Esther Hugo	Board Member	December 31, 2023
Margaret Watson	Board Member	December 31, 2023
Jessica Laughlin	Board Member	December 31, 2023
Layla Narajon	Board Member	December 31, 2025
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, 2023**

	Instructional Minutes		Traditional Calendar Days	Status
	Requirement	Actual		
Grade 5	54,000	69,375	179	In compliance
Grade 6	54,000	69,375	179	In compliance
Grade 7	54,000	76,340	179	In compliance
Grade 8	54,000	76,340	179	In compliance
Grade 9	64,800	77,165	179	In compliance
Grade 10	64,800	77,165	179	In compliance
Grade 11	64,800	77,165	179	In compliance
Grade 12	64,800	77,165	179	In compliance

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*See accompanying Independent Auditors' Report and the Notes to Supplementary Information.*

**MAKING WAVES ACADEMY  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
YEAR ENDED JUNE 30, 2023**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades 5-6	296.34	296.34	296.52	296.52
Grades 7-8	300.06	300.06	300.48	300.48
Grades 9-12	446.18	446.18	444.31	444.31
ADA Totals	1,042.58	1,042.58	1,041.31	1,041.31

Draft - For Discussion Only

*See accompanying Independent Auditors' Report and the Notes to Supplementary Information.*

**MAKING WAVES ACADEMY  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

There were no reclassifications or adjustments for the year ended June 30, 2023.

Draft - For Discussion Only

*See accompanying Independent Auditors' Report and the Notes to Supplementary Information.*

**MAKING WAVES ACADEMY  
WCCUSD MEASURE G PARCEL TAX REVENUE AND EXPENSES  
YEAR ENDED JUNE 30, 2023**

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, 2021	June 30, 2022	June 30, 2023
<b>REVENUES</b>			
Program Revenue	\$ 298,408	\$ 315,507	\$ 325,572
<b>EXPENSES</b>			
Salaries and Wages	277,885	284,097	244,179
Other Employee Benefits	20,523	31,410	81,393
Total Expenses	<u>298,408</u>	<u>315,507</u>	<u>325,572</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<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, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification	Federal Expenditures Total
<b>U.S. Department of Education</b>				
Pass-Through Programs From California Department of Education:				
Every Child Succeeds Act:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		\$ 375,240
Title II, Part A, Improving Teacher Quality	84.367	14341		51,213
Title III, Part A, Limited English Proficiency	84.365	14346		45,629
Title IV, Part A, Student Support & Academic Enrichment	84.424	n/a		24,259
Special Education Cluster: IDEA Basic Local				
Assistance Entitlement, Part B, Section 611	84.027	13379		165,011
Total Special Education Cluster				<u>165,011</u>
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):				
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	COVID-19	26,188
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	454,353
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	COVID-19	77,255
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	464,075
Expanded Learning Opportunities (ELO) Grant: ESSER III				
State Reserve, Emergency Needs	84.425U	15620	COVID-19	47,360
Expanded Learning Opportunities (ELO) Grant: ESSER III				
State Reserve, Learning Loss	84.425U	15621	COVID-19	73,655
Total Coronavirus Aid, Relief, and Economic Security Act (CARES Act)				<u>1,142,886</u>
Total U.S. Department of Education				1,804,238
<b>U.S. Department of Agriculture</b>				
Pass-Through Program From California Department of Education:				
Child Nutrition Cluster:				
Especially Needy Breakfast Program	10.553	13526		16,208
National School Lunch Program	10.555	23165		242,746
Meal Supplements	10.555	n/a		42,355
Total Child Nutrition Cluster				<u>301,309</u>
Total U.S. Department of Agriculture				<u>301,309</u>
Total Expenditures of Federal Awards				<u>\$ 2,105,547</u>

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**MAKING WAVES ACADEMY  
NOTES TO SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2023**

**PURPOSE OF SCHEDULES**

**NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME**

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

**NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE**

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

**NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS**

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

**NOTE 4 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 5 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, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 6 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, 2023, 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.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

***Opinion on Each Major Federal Program***

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

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

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE

Draft - For Discussion Only

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

Board of Directors  
Making Waves Academy  
Richmond, California

### **Report on Compliance**

#### **Opinion on State Compliance**

We have audited Making Waves Academy's (the School) compliance with the types of compliance requirements applicable to the School described in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2023. The School's applicable State compliance requirements are identified in the table below.

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

#### **Basis for Opinion**

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

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

#### **Responsibilities of Management for Compliance**

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



### **Auditors' Responsibility for the Audit of Compliance**

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

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

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

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

**Compliance Requirements Tested**

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable <sup>1</sup>
After/Before School Education and Safety Program	Not Applicable <sup>2</sup>
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable <sup>3</sup>
Immunizations	Not Applicable <sup>4</sup>
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable <sup>5</sup>
Transitional Kindergarten	Not Applicable <sup>6</sup>
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable <sup>7</sup>
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable <sup>8</sup>
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Not Applicable<sup>1</sup>: The School did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable<sup>2</sup>: The School did not operate an after or before school program component of this grant.

Not Applicable<sup>3</sup>: The School did not report ADA pursuant to Education Code section 51749.5.

Not Applicable<sup>4</sup>: The School did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable<sup>5</sup>: The School did not receive a CTEIG allocation for the audit year.

Not Applicable<sup>6</sup>: The School did not report ADA for the audit year for transitional kindergarten.

Not Applicable<sup>7</sup>: The School did not report ADA to the CDE as generated through nonclassroom-based instruction (independent study).

Not Applicable<sup>8</sup>: The School did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study)

### **Report on Internal Control over Compliance**

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

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

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

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

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE

**MAKING WAVES ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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**Section I – Summary of Auditors’ Results**

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**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**

**Federal Assistance Listing Number(s)**

84.425C, 84.425D & 84.425U

**Name of Federal Program or Cluster**

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

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

\$ 750,000

Auditee qualified as low-risk auditee?

  x   yes      \_\_\_\_\_ no

**MAKING WAVES ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for June 30, 2023.

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**MAKING WAVES ACADEMY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023**

There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for June 30, 2022.

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