

**MAKING WAVES FOUNDATION, INC.
DBA: MAKING WAVES EDUCATION FOUNDATION**

CONSOLIDATED FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR YEAR ENDED JUNE 30, 2022)**



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MAKING WAVES FOUNDATION, INC.
DBA: MAKING WAVES EDUCATION FOUNDATION
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(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2022)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Making Waves Foundation, Inc.
Dbas: Making Waves Education Foundation
Richmond, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Making Waves Foundation, Inc., a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Making Waves Foundation, Inc. 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Making Waves Foundation, Inc. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Making Waves Foundation, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Making Waves Foundation, Inc.'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.

Board of Directors
Making Waves Foundation, Inc.
dba: Making Waves Education Foundation

Report on Summarized Comparative Information

We have previously audited Making Waves Foundation, Inc.'s 2022 consolidated financial statements, and expressed an unmodified opinion on those statements in our report dated January 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
December 6, 2023

MAKING WAVES FOUNDATION, INC.
DBA: MAKING WAVES EDUCATION FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2022)

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,872,011	\$ 13,844,312
Investments	30,733,318	18,847,370
Accounts Receivable	42,919	18,767
Pledges Receivable, Current	15,000	72,623
Prepaid Expenses and Other Assets	304,131	334,821
Property - Held for Sale, Current	<u>37,746,260</u>	<u>23,537,592</u>
Total Current Assets	74,713,639	56,655,485
LONG-TERM ASSETS		
Restricted Cash and Cash Equivalents	1,710,088	1,690,828
Pledges Receivable, Net of Current Portion	779,205	10,000
Other Long-Term Assets	562,819	838,179
Property and Equipment - Program Related		
Investments (PRI), Net	168,938,619	181,259,746
Property and Equipment - Other, Net	<u>5,301,725</u>	<u>6,066,710</u>
Total Long-Term Assets	<u>177,292,456</u>	<u>189,865,463</u>
 Total Assets	 <u>\$ 252,006,095</u>	 <u>\$ 246,520,948</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 2,261,622	\$ 3,131,205
Deferred Revenue	1,150,007	-
Bonds Payable, Current Portion	<u>1,915,139</u>	<u>1,837,052</u>
Total Current Liabilities	5,326,768	4,968,257
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion	<u>32,362,382</u>	<u>34,205,891</u>
Total Long-Term Liabilities	<u>32,362,382</u>	<u>34,205,891</u>
 Total Liabilities	 37,689,150	 39,174,148
NET ASSETS		
Without Donor Restrictions	179,133,929	173,134,550
With Donor Restrictions	<u>35,183,016</u>	<u>34,212,250</u>
Total Net Assets	<u>214,316,945</u>	<u>207,346,800</u>
 Total Liabilities and Net Assets	 <u>\$ 252,006,095</u>	 <u>\$ 246,520,948</u>

See accompanying Notes to Consolidated Financial Statements.

MAKING WAVES FOUNDATION, INC.
DBA: MAKING WAVES EDUCATION FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
REVENUES AND OTHER SUPPORT				
Individuals and Trusts	\$ 1,011,751	\$ 1,762,925	\$ 2,774,676	\$ 1,788,450
Private Foundations	12,368,181	8,427,542	20,795,723	17,460,000
In-Kind Services	57,500	-	57,500	31,492
Rental Income	2,627,064	-	2,627,064	2,280,695
Other Income	33,862	-	33,862	3,165,459
Interest Income	49,357	-	49,357	2,650
Investment Income	85	546,268	546,353	504,310
Realized and Unrealized Gain (Loss)	-	1,992,101	1,992,101	(3,768,935)
Net Assets Released from Restrictions	12,374,485	(12,374,485)	-	-
Total Revenues and Net Assets Released from Restrictions	28,522,285	354,351	28,876,636	21,464,121
EXPENSES				
Program Services:				
Direct Program Expenses	2,023,816	-	2,023,816	2,275,236
Personnel	3,448,926	-	3,448,926	3,810,761
Other	11,694,175	-	11,694,175	9,393,539
Management and General	3,729,382	-	3,729,382	3,212,452
Fundraising	160,835	-	160,835	328,093
Total Expenses	21,057,134	-	21,057,134	19,020,081
CHANGE IN OPERATING NET ASSETS	7,465,151	354,351	7,819,502	2,444,040
NONOPERATING ACTIVITIES				
Gain on Sale of Asset	-	-	-	6,550,833
Impairment Loss	(849,357)	-	(849,357)	(3,833,223)
Redesignation of Net Assets	(616,415)	616,415	-	-
Total Nonoperating Other Expenses (Gains)	(1,465,772)	616,415	(849,357)	2,717,610
CHANGE IN NET ASSETS	5,999,379	970,766	6,970,145	5,161,650
Net Assets - Beginning of Year	173,134,550	34,212,250	207,346,800	202,185,150
NET ASSETS - END OF YEAR	<u>\$ 179,133,929</u>	<u>\$ 35,183,016</u>	<u>\$ 214,316,945</u>	<u>\$ 207,346,800</u>

See accompanying Notes to Consolidated Financial Statements.

MAKING WAVES FOUNDATION, INC.
DBA: MAKING WAVES EDUCATION FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2022)

	Program Services	Management and General	Fundraising	Total 2023	Total 2022
Salaries and Wages	\$ 2,863,165	\$ 2,369,794	\$ -	\$ 5,232,959	\$ 5,593,286
Pension and Retirement Plan	68,122	70,073	-	138,195	151,961
Other Employee Benefits	295,138	289,739	-	584,877	538,813
Payroll Taxes	222,501	157,165	-	379,666	391,645
Legal Expenses	588,665	3,090	-	591,755	28,862
Accounting Expenses	-	81,748	-	81,748	64,412
Other Fees for Services	487,819	131,100	145,438	764,357	517,824
Advertising and Promotion	150	-	-	150	4,101
Office Expenses	123,304	40,033	44	163,381	189,345
Printing and Postage	4,993	1,452	5,812	12,257	8,271
Information Technology	154,471	106,118	-	260,589	217,780
Occupancy Expenses	276,758	374,539	-	651,297	526,097
Program Related-Investment					
Direct Expenses	2,881,806	-	-	2,881,806	1,623,629
Travel Expenses	4,209	5,585	991	10,785	8,454
Conference Expenses	17,918	4,024	1,050	22,992	22,896
Interest Expense - PRI	1,493,107	-	-	1,493,107	1,568,009
Depreciation Expense - PRI	3,946,614	-	-	3,946,614	3,952,186
Depreciation Expense - Other	764,985	-	-	764,985	784,673
Insurance Expense	553,183	46,301	-	599,484	415,440
Direct Program Expenses	2,023,816	-	-	2,023,816	2,124,925
Grant to Other Organization	-	-	-	-	17,370
Other Expenses	396,193	48,621	7,500	452,314	303,902
2023 Total Functional Expenses	<u>\$ 17,166,917</u>	<u>\$ 3,729,382</u>	<u>\$ 160,835</u>	<u>\$ 21,057,134</u>	
2022 Total Functional Expenses	<u>\$ 15,479,536</u>	<u>\$ 3,212,452</u>	<u>\$ 328,093</u>		<u>\$ 19,020,081</u>

See accompanying Notes to Consolidated Financial Statements.

MAKING WAVES FOUNDATION, INC.
DBA: MAKING WAVES EDUCATION FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,970,145	\$ 5,161,650
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	4,711,599	4,736,859
Impairment Loss	(849,357)	(3,833,223)
Loss (Gain) on Sale of Assets	-	6,550,833
Amortization of Bond Costs	71,629	75,222
Realized and Unrealized Loss (Gain)	(1,992,101)	3,768,935
(Increase) Decrease in Assets:		
Accounts Receivable	(24,152)	(11,653)
Pledges Receivable	30,690	(135,338)
Prepaid Expenses and Other Assets	(711,582)	631,074
Other Long-Term Assets	275,360	493,836
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	(869,583)	1,349,886
Deferred Revenue	1,150,007	-
Net Cash Provided by Operating Activities	8,762,655	18,788,081
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment - PRI	(4,984,798)	(20,825,922)
Proceeds on Sale of Property, Plant, and Equipment	-	9,261,728
Purchases of Investments	(9,893,847)	(503,995)
Net Cash Used by Investing Activities	(14,878,645)	(12,068,189)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Notes and Bonds Payable	(1,837,051)	(1,762,151)
Net Cash Used by Financing Activities	(1,837,051)	(1,762,151)
 NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(7,953,041)	4,957,741
 Cash, Cash Equivalents and Restricted Cash - Beginning of Year	15,535,140	10,577,399
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 7,582,099	\$ 15,535,140
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 1,493,107	\$ 1,568,009
 RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH REPORTED WITHIN THE STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 5,872,011	\$ 13,844,312
Restricted Cash and Cash Equivalents	1,710,088	1,690,828
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statement of Cash Flows	\$ 7,582,099	\$ 15,535,140

See accompanying Notes to Consolidated Financial Statements.

MAKING WAVES FOUNDATION, INC.
DBA: MAKING WAVES EDUCATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The consolidated financial statements include the financial position and the results of operations of Making Waves Foundation, Inc. (MWF) is a nonprofit organization and its Limited Liability Companies (the LLCs), (collectively, Making Waves). MWF is the single member for disregarded LLCs, formed for the purpose of holding title to property. These LLCs are also included in the consolidated financial statements. All intercompany accounts and transactions have been eliminated.

The mission is to advance educational opportunities for college-bound, career-minded, historically underrepresented and underserved youth.

Cash and Cash Equivalents

Making Waves 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.

Use of Estimates

The preparation of consolidated 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.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Financial Accounting Standards Board.

Functional Allocation of Expenses

Costs of providing Making Waves' programs and other activities have been presented in the consolidated 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 occupancy, depreciation and amortization, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated by time and effort.

MAKING WAVES FOUNDATION, INC.
DBA: MAKING WAVES EDUCATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Investments

Making Waves presents its investments in accordance with Accounting Standards Codification (ASC) 958-320, *Not-For-Profit Entities — Investments Debt & Equity Securities*. Under ASC 958-320, investments in marketable securities are reported at their fair values in the consolidated statement of financial position. The fair values of these investments are subject to change based on the fluctuations of fair values. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor or by Making Waves are reported as increases in net assets without donor restriction if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts Receivable

Accounts receivable primarily consist of amounts due from lessees as of June 30, 2023. Management believes that all receivables are fully collectible; therefore no provisions for uncollectible accounts were recorded.

Property – Held for Sale

Making Waves accounts for property held for sale at the lower of carrying value or fair value. Gains or losses recognized on the sale of property are presented on the consolidated statement of activities. During the year ended June 30, 2023, Making Waves did not have impairment loss on property held for sale.

**MAKING WAVES FOUNDATION, INC.
DBA: MAKING WAVES EDUCATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment – Program Related Investments

Making Waves makes investments to advance its charitable purpose. Program related Investments (PRI) consists of real estate property leased to a public charter school. PRI are recorded at cost and depreciated under the straight-line method over their estimated useful lives of 3 to 39 years. Making Waves has elected to capitalize and depreciate all assets costing \$25,000 or more. All other assets are charged to expense in the year incurred. PRI consisted of the following as of June 30, 2023:

Property Held as Program Related Investments:	
Land	\$ 12,834,637
Building and Building Improvements	157,303,610
Equipment	1,160,168
Construction in Progress	25,277,721
Less: Accumulated Depreciation	<u>(27,637,517)</u>
Subtotal Property Held as Program Related Investments	<u>\$ 168,938,619</u>

Property and Equipment

Property and equipment are recorded at cost and depreciated under the straight-line method over their estimated useful lives of 3 to 39 years. Repair and maintenance costs, which do not extend the useful lives of the asset, are charged to expense. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the earnings. Making Waves has elected to capitalize and depreciate all assets costing \$25,000 or more. All other assets are charged to expense in the year incurred. Other property and equipment consisted of the following as of June 30, 2023:

Other Property and Equipment:	\$ 1,823,210
Land	
Building and Building Improvements	11,115,812
Equipment	952,937
Less: Accumulated Depreciation	<u>(8,590,234)</u>
Total Other Property and Equipment	<u>\$ 5,301,725</u>

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restriction support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that are to be used to acquire property and equipment, are reported as restricted.

Absent donor stipulations regarding how long those donated assets must be maintained, Making Waves reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Making Waves reclassifies net asset with donor restriction to net assets without donor restriction at that time.

MAKING WAVES FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

During the year ended June 30, 2023, Making Waves incurred an impairment loss of \$849,357 for real estate improvements. This loss is presented on consolidated statement of activities.

Accrued Vacation and Sick Leave

Accrued employee vacation benefits are recognized as liabilities. Employees 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 one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

Revenue Recognition and Disaggregation of Revenue

Contributions – Contribution revenue is primarily received from individuals and trusts and private foundations. All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributed In-Kind Services – Contributions of services are recognized when received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. For the year ended June 30, 2023, the value of contributed services recognized as revenues amounted to \$57,500 and consisted primarily of donated professional services.

Rental Income – Rental income is recognized when earned based on the occupancy of the property.

Income Taxes

MWF is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code (IRC) 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. Making Waves is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes.

**MAKING WAVES FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized Comparative Totals

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MWF's consolidated financial statements for the year ended June 30, 2022, from which the summarized comparative information was derived.

Evaluation of Subsequent Events

Making Waves has evaluated subsequent events through December 6, 2023, the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 5,872,011
Investments	30,733,318
Accounts Receivable	42,919
Pledges Receivable, Current	15,000
Restricted Cash and Cash Equivalents	1,710,088
Pledges Receivable, Net of Current Portion	779,205
Less: Net Assets With Donor Restrictions	<u>(35,183,016)</u>
Total	<u>\$ 3,969,525</u>

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

NOTE 3 CONCENTRATION OF RISK

Making Waves 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. Making Waves 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.

MAKING WAVES FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CONCENTRATION OF RISK (CONTINUED)

Making Waves invests excess cash in various types of investments. Balances in the MWF's investment accounts exceed the Securities Investors Protection Corporation insured limit. Making Waves has established guidelines relative to diversification and maturities that maximize safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. Making Waves has not experienced any losses in these accounts.

During the year ended June 30, 2023, approximately 88% of the Making Waves' total contributions, was derived from one major donor. There was no related accounts receivable balance as of June 30, 2023.

After the SVB collapse, Making Waves proactively set up five ICS "sweep" deposit accounts with Bridge Bank to ensure it had the majority of the funds under FDIC protection.

NOTE 4 FAIR VALUE OF INVESTMENTS

ASC 820 provides a definition of fair value, establishes a hierarchy for measuring fair value under U.S. GAAP, and requires certain disclosures about fair values used in the consolidated financial statements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 aim to maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Making Waves did not have any Level 2 or 3 investments at June 30, 2023.

MAKING WAVES FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include equities, equity funds, highly liquid bond funds, mutual funds, and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, comparative sales for certain residential real estate, or discounted cash flow and are classified within Level 2 of the valuation hierarchy. Level 3 investments may be valued using independent appraisals or market data. Specific valuation inputs for Level 3 investments are described later in this note.

In certain cases, securities are measured using the net asset value (NAV) per share practical expedient, an estimate of fair value, and are excluded from the fair value hierarchy. Making Waves obtains fair value for its investment securities from the fund managers. The fund managers use various models, comparisons, and assumptions to estimate fair value. Consideration is given to the type of investment, risks, marketability, restrictions, dispositions, and quotations from other market participants. Adjustments may be determined by management to account for the time period since the date of the fund's last statement.

Making Waves seeks to achieve capital appreciation and to maximize the total return on its investments over the short- and long-term. Strategies to achieve these objectives are to invest through a combination of long- and short-term investments in various industries. Such investments include:

- Equity and debt-related securities of publicly traded and private U.S. companies.
- Equity and debt-related securities of publicly traded and private foreign companies.
- Limited Partnership interests in private equity companies.

At June 30, 2023, the fair value of Making Waves' financial assets and liabilities that are measured on a recurring basis, are categorized as follows using the fair value hierarchy:

	Total	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value (or Equivalent)
Bond Funds	\$ 12,160,354	\$ 12,160,354	\$ -	\$ -	\$ -
Equity Funds	18,367,464	18,367,464	-	-	-
Limited Partnership in Private Equity Fund	205,500	-	-	-	205,500
Total Investments	<u>\$ 30,733,318</u>	<u>\$ 30,527,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,500</u>

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2023. Making Waves' policy is to recognize transfers in and transfers out at the end of the reporting period.

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NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)

The following table represents the liquidity, redemption restrictions, and future capital commitments on the financial instruments above that were valued at NAV as of June 30, 2023:

Investments	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Limited Partnership in Private Equity Fund (A)	\$ 205,500	\$ 2,494,500	Not Permitted	N/A

(A) These funds invest in primary funds, secondary investments, and direct co-investments across all geographies, with an emphasis on North America and Europe, buyout partnerships, growth equity and venture partnerships, special situation partnerships, other private market investments globally, selective investments in real estate investments and credit investments. These investments cannot be redeemed during the life of the partnership, which can be up to 14 years, with three one year extensions at the discretion of the fund's general partner; however, they can be transferred to another eligible investor. Distributions are received as the underlying investments of the fund are liquidated over time.

NOTE 5 PLEDGES RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value, which approximates fair value. Fair value of pledges receivable is estimated based on the present value of expected future cash flows. Making Waves uses the published U.S. Treasury rates on the date of the pledge to determine the discount rate applied to pledges receivable. The discount rate for the year ended June 30, 2023 was 3.68%. The portion of the discount attributed to a particular payment is recognized through contribution revenue as payments are received. Making Waves records discounts on pledges that are over \$250,000.

Pledges receivable as of June 30, 2023 are expected to be received as follows:

In One Year or Less	\$ 15,000
Between Two and Five Years	900,000
Total Gross Pledges Receivable	<u>915,000</u>
Less: Discount on Pledges Receivable	<u>(120,795)</u>
Net Pledges Receivable	<u><u>\$ 794,205</u></u>

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NOTE 6 ENDOWMENT

Making Waves' endowment consists of an individual fund established to support the charitable purposes of Making Waves. This endowment includes donor-restricted funds. As required by U.S. GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of Making Waves has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Making Waves classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restriction until those amounts are appropriated for expenditure by Making Waves in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Making Waves considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Making Waves
- (7) The investment policies of Making Waves

Investment Return Objectives, Risk Parameters, and Strategies

Making Waves has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to support the long-term financial sustainability of Making Waves while preserving the inflation-adjusted value of the endowment assets over the long-term. Under these policies, the endowment assets are invested in a manner that is intended to produce results that exceed the amount appropriated for operations by the rate of inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, Making Waves has adopted a strategy of investing in domestic and international equities, fixed income securities, and alternative investments.

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NOTE 6 ENDOWMENT (CONTINUED)

Spending Policy

Making Waves has a policy to distribute annually not more than 3-5% of the endowment fund value, based on the average portfolio balances over the preceding twelve quarters subject to the approval of the endowment and investment committee. No endowment spending occurred for the year ended June 30, 2023. In the event that the principal value of the endowment funds is reduced below the corpus amount, distributions will be reduced accordingly in compliance with the standard of prudence prescribed by UPMIFA.

Endowment net asset composition by type of fund as of June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
With Donor Restrictions Endowment Funds	<u>\$ -</u>	<u>\$ 20,681,302</u>	<u>\$ 20,681,302</u>

Endowment activity for the year ended June 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
With Donor Restrictions Endowment Funds	<u>\$ -</u>	<u>\$ 20,681,302</u>	<u>\$ 20,681,302</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ -	\$ 18,720,849	\$ 18,720,849
Investment Return:			
Investment Income	-	454,180	454,180
Net Appreciation	-	1,689,273	1,689,273
Total Investment Return	-	2,143,453	2,143,453
Appropriation of Endowment Funds for Expenditures		(183,000)	(183,000)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 20,681,302</u>	<u>\$ 20,681,302</u>

NOTE 7 DEFERRED REVENUE

Making Waves' deferred revenue consists of a \$1,100,000 deposit on the property for sale at 420 E 3rd Street, Pittsburg.

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NOTE 8 LONG-TERM DEBT

In March 2017, Making Waves obtained financing through the California Municipal Finance Authority (CMFA). The amount loaned to Making Waves was \$45,000,000 to be applied to the refinancing, construction and acquisition of educational facilities and equipment. The bonds are considered unconditional general obligations of Making Waves, secured by a pledge of revenues and a deed of trust. The loan agreement requires Making Waves to comply with various covenants, conditions, and restrictions including maintaining certain financial ratios. The bond bears a fixed interest rate of 4.17%.

Making Waves is required to maintain in a bond reserve cash account an amount at least equal to the bond reserve requirement which is \$1,665,716. This represents an amount equal to six months debt service on the bonds. In May 2017, Making Waves started to make monthly payments of principal and interest. The bonds mature in March 2037 but are subject to early redemption at the option of Making Waves together with accrued interest. The outstanding balance as of June 30, 2023 was \$34,804,514.

Debt Issuance Costs

In connection with the issuance of debt as described above, Making Waves has incurred certain costs which are capitalized and amortized over the term of the related debt or written off to expense if the debt is repaid. Debt issue costs are netted against the associated debt on the consolidated statement of financial position. Unamortized debt issue costs as of June 30, 2023 was \$526,993.

Future maturities of bond payable outstanding as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 1,915,139
2025	1,996,544
2026	2,081,410
2027	2,169,882
2028	2,262,116
Thereafter	<u>24,379,423</u>
Total Future Maturities	34,804,514
Less: Unamortized Debt Issue Costs	<u>(526,993)</u>
Total	<u><u>\$ 34,277,521</u></u>

NOTE 9 EMPLOYEE RETIREMENT

Defined Contribution Plan

Making Waves offers a defined contribution retirement plan to its qualifying employees. Contributions are made to the plan through Employee elective deferrals and discretionary Employer matching contributions. Employee retirement expense for the year ended June 30, 2023 was \$138,195.

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NOTE 10 OPERATING LEASES

MWF as Lessor

Through its title holding LLCs, MWF has lease agreements for the use of office space. The agreements have various terms with the final agreement expiring in April 2027. Lease revenue under these agreements for the year ended June 30, 2023 was \$2,627,064. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 270,435
2025	267,335
2026	152,011
2027	<u>90,206</u>
Total	<u>\$ 779,987</u>

MWF as Lessee

MWF leased its facilities under a agreement which had a lease term date of August 2022, and was not renewed. Lease expense under these agreements for the year ended June 30, 2023 was \$52,921.

NOTE 11 CONDITIONAL PROMISE TO GIVE

Making Waves has received a pledge from John H. & Regina K. Scully Foundation (JRSF) to donate up to \$2,500,000 annually, if required for Making Waves to meet its obligations under the loan agreement described in Note 7. The pledge is for the period of ten years beginning with the 2018 fiscal year. During the fiscal year ended June 30, 2023, Making Waves reexamined the contract under the standard ASU 2018-08, and noted that there is a measurable barrier and a right of return exists under the agreement. Making Waves did not receive or record any amounts under this conditional promise to give at June 30, 2023. There was no conditional promise to be received at June 30, 2023.

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NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to Expenditure for Specified Purpose:	
Educational Programs	\$ 29,443
Construction	3,451,421
Real Estate Reserve Fund	9,876,843
Total	<u>13,357,707</u>
Subject to the Passage of Time:	
Promises to Give	1,144,007
Total	<u>1,144,007</u>
Endowments:	
Subject to Appropriation and Expenditure When a Specified Event Occurs:	
Restricted by Donors for:	
Available for General Use	7,681,300
Total	<u>7,681,300</u>
Subject to NFP Endowment Spending Policy and Restricted to General Endowment	
Total	<u>13,000,002</u>
Total Endowments	<u>20,681,302</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 35,183,016</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023:

Release of Restrictions:	
Satisfaction of Purpose Restrictions:	
Educational Programs	\$ 838,975
Construction	11,013,487
Expiration of Time Restrictions	339,023
Appropriation of Endowment Funds for Expenditures	183,000
Total Net Assets Released from Donor Restrictions	<u><u>\$ 12,374,485</u></u>

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NOTE 13 COMMITMENTS AND CONTINGENCIES

From time to time, Making Waves may be subject to a variety of claims and lawsuits in the ordinary course of business. Management believes there are no outstanding claims or lawsuits that, individually or in the aggregate, would have a material adverse effect on Making Waves' financial position, activities, or cash flows.

NOTE 14 SUBSEQUENT EVENT

In September 2023, Making Waves sold 3201-3299 East 18th Street, Antioch for approximately \$4.2 million resulting in a \$1.4 million gain.



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