



BOARD OF DIRECTORS MEETING
December 14, 2023
MINUTES

1. Called to Order - 6:34 pm

1.1 Members Present: Jeff Ball/Michele Asay/Clare Anderson/Bill Brooks//Bre Lionetti

1.2 Procedural Overview

Kinetic Academy is a public entity subject to the Brown Act and meetings are conducted according to Robert's Rules of Order.

2. Preliminary Actions

2.1 Agenda Adoption: *An action to approve the agenda for this Regular Meeting*

Motion: Michele Asay

Second: Clare Anderson

F/O/A: 5/0/0

2.2 Prior Meeting Minutes: *An action to approve the meeting minutes from the prior meeting held November 16, 2023*

Motion: Michele Asay

Second: Clare Anderson

F/O/A: 5/0/0

3. Oral Communication All Agenda Items

The public is invited to address the Board. Please indicate your desire to speak by going to the Participants tab and click on "Raise Hand". Your name will be called and your microphone will be unmuted when it is your turn. Be advised that per public policy individual board members are not allowed to respond directly to your comments and each speaker is limited to 3 minutes.

No oral communications at this time.

4. Discussion Items

No discussion at this time.

5. Action Items

5.1 First Interim Reports

Motion: Michele Asay

Second: Clare Anderson

F/O/A: 5/0/0

5.2 2022- 2023 Annual Financial Report- Kinetic Academy Audit

Motion: Clare Anderson

Second: Michele Asay

F/O/A: 5/0/0

6. Closed Session

Conducted in accordance with applicable sections of California law, Closed Sessions are not open to the public. If additional time is required, the Board of Directors will reconvene the Closed Session at the end of the regular meeting.

6.1 Conference with Real Property Negotiations (§ 54956.8) Kinetic East: 19231 Harding Lane, Huntington Beach, CA, 92648

7. Return To Open Session at 6:57pm

7.1 Report of Closed Session

During the Closed Session the Board discussed an addendum to the current lease agreement which was proposed by the Huntington Beach City School District.

7.2 That the Lease Addendum set forth by Huntington Beach City School District for the 2024/2025 school year be accepted subject to specific additions and deletions which Mr. Ball will communicate.

Motion: Clare Anderson

Second: Bill Brooks

F/O/A: 5/0/0

8. New Business

None

10. Adjournment at 7:04

Motion: Michele Asay

Second: Clare Anderson

F/O/A: 5/0/0

**CHARTER SCHOOL
INTERIM FINANCIAL REPORT - ALTERNATIVE FORM
First Interim Report Certification**

Charter School Name: Kinetic Academy
(continued) _____
CDS #: 30-66530-0134221
Charter Approving Entity: Huntington Beach City Elemen
County: Orange
Charter #: 1812
Fiscal Year: 2023/24

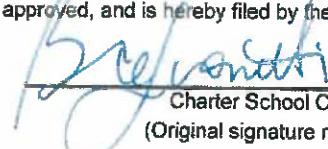
CERTIFICATION OF FINANCIAL CONDITION

- POSITIVE CERTIFICATION**
As the Charter School Official, I certify that based upon current projections this charter will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

- QUALIFIED CERTIFICATION**
As the Charter School Official, I certify that based upon current projections this charter may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

- NEGATIVE CERTIFICATION**
As the Charter School Official, I certify that based upon current projections this charter will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year.

To the entity that approved the charter school:
() **2023/24 CHARTER SCHOOL FIRST INTERIM FINANCIAL REPORT -- ALTERNATIVE FORM:** This report has been approved, and is hereby filed by the charter school pursuant to *Education Code* Section 47604.33.

Signed:  Date: 12/11/2023
Charter School Official
(Original signature required)
Print Name: Bre Lionetti Title: Executive Director

To the County Superintendent of Schools:
() **2023/24 CHARTER SCHOOL FIRST INTERIM FINANCIAL REPORT -- ALTERNATIVE FORM:** This report is hereby filed with the County Superintendent pursuant to *Education Code* Section 47604.33.

Signed: _____ Date: _____
Authorized Representative of
Charter Approving Entity
(Original signature required)
Name: _____ Title: _____

For additional information on the First Interim Report, please contact:

<p><u>For Approving Entity:</u></p> <p><u>Jenny Delgado</u> Name</p> <p><u>Assistant Superintendent</u> Title</p> <p><u>714-378-2014</u> Phone</p> <p><u>jdelgado@hbcasd.us</u> E-mail</p>	<p><u>For Charter School:</u></p> <p><u>Bre Lionetti</u> Name</p> <p><u>Executive Director</u> Title</p> <p><u>714-465-4565</u> Phone</p> <p><u>brelionetti@kineticacademy.org</u> E-mail</p>
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This report has been verified for mathematical accuracy by the County Superintendent of Schools, pursuant to *Education Code* Section 47604.33.

District Advisor _____

Date _____

**CHARTER SCHOOL
INTERIM FINANCIAL REPORT - ALTERNATIVE FORM
First Interim Report - Detail**

Charter School Name: Kinnik Academy
 (continued)
 CDS #: 30-66930-0134221
 Charter Approving Entity: Huntington Beach City Elementary
 County: Orange
 Charter #: 1812
 Fiscal Year: 2023/24

This charter school uses the following basis of accounting:

- Accrual Basis (Applicable Capital Assets / Interest on Long-Term Debt / Long-Term Liabilities objects are 6900, 7438, 9400-9499, and 9650-9669)
 Modified Accrual Basis (Applicable Capital Outlay / Debt Service objects are 6100-6170, 6200-6500, 7438, and 7439)

Description	Object Code	Adopted Budget - July 1			Actuals thru 10/31			1st Interim Budget		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
D. OTHER FINANCING SOURCES / USES										
1. Other Sources										
2. Less: Other Uses	6900-9699									
3. Contributions Between Unrestricted and Restricted Accounts (must net to zero)	7630-7639									
4. TOTAL OTHER FINANCING SOURCES / USES	8980-8999							0.04	0.04	
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)		77,506.94	(0.00)	77,506.94	(183,196.05)	(25,216.94)	(208,412.05)	141,216.81	(0.00)	(141,216.81)
F. FUND BALANCE, RESERVES										
1. Beginning Fund Balance										
a. As of July 1	6791	882,644.54		882,644.54	882,644.54		882,644.54	882,644.54		882,644.54
b. Adjustments to Beginning Balance	9763, 9765									
c. Adjusted Beginning Balance		882,644.54		882,644.54	882,644.54		882,644.54	882,644.54		882,644.54
2. Ending Fund Balance, June 30 (E + F.1.c.)		960,151.48	(0.00)	960,151.48	689,448.49	(25,216.94)	674,231.55	741,424.73	(0.00)	741,424.73
Components of Ending Fund Balance:										
a. Nonspendable										
Revolving Cash (equals object 9130)	9211									
Stipends (equals object 9320)	9212									
Prepaid Expenditures (equals object 9330)	9213									
All Others	9719									
b. Restricted	9740									
c. Committed										
Substitution Arrangements	9760									
Other Commitments	9760									
d. Assigned										
Other Assignments	9780									
e. Unassigned/Unappropriated										
Reserve for Economic Uncertainties	9780									
Unassigned/Unappropriated Amount	9790	960,151.48	(0.00)	960,151.48	689,448.49	(25,216.94)	674,231.55	741,424.73	(0.00)	741,424.73

**CHARTER SCHOOL
INTERIM FINANCIAL REPORT - ALTERNATIVE FORM
First Interim Report - Summary**

Charter School Name: Kinetic Academy
(continued)
CDS #: 30-88530-0134221
Charter Approving Entity: Huntington Beach City Elementary
County: Orange
Charter #: 1812
Fiscal Year: 2023/24

Description	Object Code	7/1 Adopted Budget (X)	Actuals thru 10/31 (Y)	1st Interim Budget (Z)	1st Interim vs. Adopted Budget Increase, (Decrease)	
					\$ Difference (Z) vs. (X)	% Change (Z) vs. (X)
A. REVENUES						
1. LCFF Revenue Sources						
State Aid - Current Year	8011	882,243.00	236,762.00	897,663.00	15,410.00	1.75%
Education Protection Account State Aid - Current Year	8012	71,238.00	15,372.00	64,860.00	(6,378.00)	-8.95%
State Aid - Prior Years	8019	-	-	-	-	-
Transfer of Charter Schools in Lieu of Property Taxes	8098	2,967,283.54	757,573.07	2,729,013.68	(238,269.86)	-8.03%
Other LCFF Transfers	8091, 8097	-	-	-	-	-
Total, LCFF Sources		3,920,764.54	1,009,697.07	3,691,526.68	(229,237.86)	-5.85%
2. Federal Revenues						
No Child Left Behind/Every Student Succeeds Act	8290	-	-	-	-	-
Special Education - Federal	8181, 8182	51,925.38	-	42,168.00	(9,756.38)	-18.81%
Child Nutrition - Federal	8220	46,375.00	-	46,374.95	(0.04)	0.00%
Donated Food Commodities	8221	-	-	-	-	-
Other Federal Revenues	8110, 8260-8299	-	-	-	-	-
Total, Federal Revenues		98,300.38	-	88,532.95	(9,766.42)	-9.94%
3. Other State Revenues						
Special Education - State	StateRevSE	309,518.42	70,546.00	287,783.82	(21,734.60)	-7.02%
All Other State Revenues	StateRevAO	536,049.28	111,484.69	632,732.18	96,682.90	18.04%
Total, Other State Revenues		845,567.70	182,030.69	920,516.00	74,948.30	8.86%
4. Other Local Revenues						
All Other Local Revenues	LocalRevAO	197,500.00	49,484.87	197,500.00	-	0.00%
Total, Local Revenues		197,500.00	49,484.87	197,500.00	-	0.00%
5. TOTAL REVENUES		5,062,132.62	1,241,212.63	4,898,076.64	(164,055.99)	-3.24%
B. EXPENDITURES						
1. Certificated Salaries						
Certificated Teachers' Salaries	1100	1,301,536.68	311,914.40	1,273,807.08	(27,729.60)	-2.13%
Certificated Pupil Support Salaries	1200	293,010.80	55,794.86	307,961.90	14,950.80	5.10%
Certificated Supervisors' and Administrators' Salaries	1300	482,200.00	172,691.45	497,180.00	14,980.00	3.11%
Other Certificated Salaries	1500	90,000.00	18,565.00	105,000.00	15,000.00	16.67%
Total, Certificated Salaries		2,166,747.48	558,965.71	2,183,948.98	17,201.20	0.79%
2. Non-certificated Salaries						
Non-certificated Instructional Aides' Salaries	2100	119,149.77	22,310.91	127,270.15	8,120.38	6.82%
Non-certificated Support Salaries	2200	80,526.60	23,470.78	82,644.50	2,117.90	2.63%
Non-certificated Supervisors' and Administrators' Sal.	2300	-	-	-	-	-
Clerical and Office Salaries	2400	169,819.10	43,997.62	167,168.00	(2,651.10)	-1.56%
Other Non-certificated Salaries	2900	70,767.00	10,614.74	75,235.33	4,468.33	6.31%
Total, Non-certificated Salaries		440,262.46	100,394.05	452,317.98	12,055.51	2.74%
3. Employee Benefits						
STRS	3101-3102	413,848.77	104,543.24	417,134.20	3,285.43	0.79%
PERS	3201-3202	-	-	-	-	-
OASDI / Medicare / Alternative	3301-3302	85,097.92	15,589.55	66,269.58	(1,827.34)	-2.15%
Health and Welfare Benefits	3401-3402	168,576.07	45,275.32	168,576.07	-	0.00%
Unemployment Insurance	3501-3502	21,792.00	1,617.19	22,246.00	454.00	2.08%
Workers' Compensation Insurance	3601-3602	10,428.04	1,885.44	10,645.07	217.03	2.12%
OPEB, Allocated	3701-3702	-	-	-	-	-
OPEB, Active Employees	3751-3752	-	-	-	-	-
Other Employee Benefits	3901-3902	-	-	-	-	-
Total, Employee Benefits		679,742.60	169,310.74	684,770.92	5,028.12	0.74%
4. Books and Supplies						
Approved Textbooks and Core Curricula Materials	4100	175,600.01	193,973.81	195,000.00	19,999.99	11.43%
Books and Other Reference Materials	4200	12,000.00	949.65	8,000.00	(4,000.00)	-33.33%
Materials and Supplies	4300	62,000.00	16,808.28	54,500.00	(7,500.00)	-12.10%
Noncapitalized Equipment	4400	55,450.00	12,359.63	59,550.00	4,100.00	7.39%
Food	4700	150,000.00	22,123.29	100,000.00	(50,000.00)	-33.33%
Total, Books and Supplies		454,450.01	246,314.66	417,050.00	(37,400.01)	-8.23%
5. Services and Other Operating Expenditures						
Subagreements for Services	5100	-	-	-	-	-
Travel and Conferences	5200	17,500.00	6,479.97	10,000.00	(7,500.00)	-42.86%
Dues and Memberships	5300	12,692.52	7,752.99	12,692.52	-	0.00%
Insurance	5400	34,500.00	21,375.34	34,500.00	-	0.00%
Operations and Housekeeping Services	5500	35,000.00	8,757.54	33,000.00	(2,000.00)	-5.71%
Rentals, Leases, Repairs, and Noncap. Improvements	5600	594,758.79	160,272.22	579,758.79	(15,000.00)	-2.52%
Transfers of Direct Costs	5700-5799	-	-	-	-	-
Professional/Consulting Services and Operating Expend.	5800	533,971.62	162,236.05	616,257.57	82,285.94	15.41%
Communications	5900	15,000.00	6,766.35	15,000.00	-	0.00%
Total, Services and Other Operating Expenditures		1,243,422.93	374,640.46	1,301,208.88	57,785.94	4.65%
6. Capital Outlay (Objects 6100-6170, 6200-6500 modified accrual basis only)						

**CHARTER SCHOOL
INTERIM FINANCIAL REPORT - ALTERNATIVE FORM
First Interim Report - Summary**

Charter School Name: Kinetic Academy
(continued)
CDS #: 39-66530-0134221
Charter Approving Entity: Huntington Beach City Elementary
County: Orange
Charter #: 1812
Fiscal Year: 2023/24

Description	Object Code	7/1 Adopted Budget (X)	Actuals thru 10/31 (Y)	1st Interim Budget (Z)	1st Interim vs. Adopted Budget Increase, (Decrease)	
					\$ Difference (Z) vs. (X)	% Change (Z) vs. (X)
Land and Land Improvements	6100-6170	-	-	-	-	-
Buildings and Improvements of Buildings	6200	-	-	-	-	-
Books and Media for New School Libraries or Major Expansion of School Libraries	6300	-	-	-	-	-
Equipment	6400	-	-	-	-	-
Equipment Replacement	6500	-	-	-	-	-
Depreciation Expense (for accrual basis only)	6800	-	-	-	-	-
Amortization Expense-Lease Assets	6910	-	-	-	-	-
Total, Capital Outlay		-	-	-	-	-
7. Other Outgo						
Tuition to Other Schools	7110-7143	-	-	-	-	-
Transfers of Pass-through Revenues to Other LEAs	7211-7213	-	-	-	-	-
Transfers of Apportionments to Other LEAs - Spec. Ed.	7221-7223SE	-	-	-	-	-
Transfers of Apportionments to Other LEAs - All Other	7221-7223AO	-	-	-	-	-
All Other Transfers	7281-7299	-	-	-	-	-
Transfers of Indirect Costs	7300-7399	-	-	-	-	-
Debt Service:						
Interest	7438	-	-	-	-	-
Principal (for modified accrual basis only)	7439	-	-	-	-	-
Total, Other Outgo		-	-	-	-	-
8. TOTAL EXPENDITURES						
		4,984,625.68	1,449,625.62	5,039,296.45	54,670.77	1.10%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPEND. BEFORE OTHER FINANCING SOURCES AND USES (A5-B8)						
		77,506.94	(208,412.99)	(141,219.81)	(218,726.75)	-282.20%
D. OTHER FINANCING SOURCES / USES						
1. Other Sources						
8930-8979		-	-	-	-	-
2. Less: Other Uses						
7630-7699		-	-	-	-	-
3. Contributions Between Unrestricted and Restricted Accounts (must net to zero)						
8980-8999		-	-	-	-	-
4. TOTAL OTHER FINANCING SOURCES / USES						
		-	-	-	-	-
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)						
		77,506.94	(208,412.99)	(141,219.81)	(218,726.75)	-282.20%
F. FUND BALANCE, RESERVES						
1. Beginning Fund Balance						
a. As of July 1	9791	882,644.54	882,644.54	882,644.54	-	0.00%
b. Adjustments to Beginning Balance	9793, 9795	-	-	-	-	-
c. Adjusted Beginning Balance		882,644.54	882,644.54	882,644.54	-	-
2. Ending Fund Balance, June 30 (E + F.1.c.)		960,151.48	674,231.55	741,424.73	(218,726.75)	-22.78%
Components of Ending Fund Balance :						
a. Nonspendable						
Revolving Cash (equals object 9130)	9711	-	-	-	-	-
Stores (equals object 9320)	9712	-	-	-	-	-
Prepaid Expenditures (equals object 9330)	9713	-	-	-	-	-
All Others	9719	-	-	-	-	-
b. Restricted	9740	-	-	-	-	-
c. Committed						
Stabilization Arrangements	9750	-	-	-	-	-
Other Commitments	9760	-	-	-	-	-
d. Assigned						
Other Assignments	9780	-	-	-	-	-
e. Unassigned/Unappropriated						
Reserve for Economic Uncertainties	9789	-	-	-	-	-
Unassigned/Unappropriated Amount	9790	960,151.48	674,231.55	741,424.73	(218,726.75)	-22.78%



AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2023**

**A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL**

Kinetic Academy (Charter No. 1812)

**KINETIC ACADEMY
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JUNE 30, 2023**

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FINANCIAL SECTION

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kinetic Academy
Huntington Beach, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Kinetic Academy which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows 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 Kinetic Academy 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kinetic 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.

Change in Accounting Principle

As discussed in section O of Note 1 to the financial statements, in 2022-23 Kinetic Academy adopted new accounting guidance, ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Kinetic Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Kinetic Academy'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kinetic Academy'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 financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 11, 2023**, on our consideration of Kinetic Academy'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 Kinetic Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kinetic Academy's internal control over financial reporting and compliance.

San Diego, California
December 11, 2023

KINETIC ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,155,383
Accounts receivable	384,021
Prepaid expenses	39,535
Total current assets	<u>1,578,939</u>

Noncurrent assets	
Deposits	21,260
Right-of-use asset	1,561,502
Total noncurrent assets	<u>1,582,762</u>
Total Assets	<u>\$ 3,161,701</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 213,359
Deferred revenue	479,569
Operating lease liability	1,586,128
Total liabilities	<u>2,279,056</u>

Net assets	
Without donor restrictions	882,645
Total net assets	<u>882,645</u>
Total Liabilities and Net Assets	<u>\$ 3,161,701</u>

DRAFT

The notes to the financial statements are an integral part of this statement.

**KINETIC ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 680,023
Federal revenues	69,387
Other state revenues	831,157
Total federal and state support and revenues	<u>1,580,567</u>
Local support and revenues	
Payments in lieu of property taxes	2,567,354
Investment income, net	11,670
Other local revenues	174,606
Total local support and revenues	<u>2,753,630</u>
Total Support and Revenues	<u>4,334,197</u>
EXPENSES	
Program services	3,332,239
Supporting services	
Management and general	983,975
Fundraising	42,433
Total Expenses	<u>4,358,647</u>
CHANGE IN NET ASSETS	(24,450)
Net Assets - Beginning	<u>907,095</u>
Net Assets - Ending	<u>\$ 882,645</u>

The notes to the financial statements are an integral part of this statement.

**KINETIC ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

EXPENSES	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Personnel expenses				
Certificated salaries	\$ 1,457,050	\$ 353,073	\$ -	\$ 1,810,123
Non-certificated salaries	234,340	130,014	-	364,354
Pension plan contributions	392,872	89,032	-	481,904
Payroll taxes	59,103	13,327	-	72,430
Other employee benefits	157,744	33,779	592	192,115
Total personnel expenses	2,301,109	619,225	592	2,920,926
Non-personnel expenses				
Books and supplies	191,951	24,401	14,133	230,485
Insurance	23,448	6,697	-	30,145
Facilities	482,106	137,329	2,026	621,461
Professional services	283,427	182,267	25,682	491,376
Interest expense	19	6	-	25
Fees to authorizing agency	20,124	5,747	-	25,871
Other operating expenses	30,055	8,303	-	38,358
Total non-personnel expenses	1,031,130	364,750	41,841	1,437,721
Total Expenses	\$ 3,332,239	\$ 983,975	\$ 42,433	\$ 4,358,647

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The notes to the financial statements are an integral part of this statement.

**KINETIC ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (24,450)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Lease expense - amortization of right-of-use asset	24,626
(Increase) decrease in operating assets	
Accounts receivable	17,237
Prepaid expenses	(5,847)
Increase (decrease) in operating liabilities	
Accounts payable	77,577
Deferred revenue	327,599
Net cash provided by (used in) operating activities	<u>416,742</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	416,742
Cash and cash equivalents - Beginning	<u>738,641</u>
Cash and cash equivalents - Ending	<u>\$ 1,155,383</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 25</u>

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The notes to the financial statements are an integral part of this statement.

**KINETIC ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Kinetic Academy (the “Charter”) was formed as a nonprofit public benefit corporation on January 19, 2016 for the purpose of operating as a California public school. The Charter is numbered by the State Board of Education as California Charter No. 1812. The mission of Kinetic Academy is to educate and inspire lifetime learners by promoting academic success, community involvement, and providing as many varied experiences as possible. Kinetic Academy provides classroom-based instruction to students in grades TK to 8.

Kinetic Academy is authorized to operate as a charter school through Huntington Beach City School District (the “authorizing agency”). In 2020, the Board of Directors of Huntington Beach City School District approved a charter petition renewal for a five-year term beginning July 1, 2021 and expiring on June 30, 2026. As a result of SB 114, the charter petition end date is extended to June 30, 2027. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Kinetic Academy is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, Kinetic Academy also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is not used in the Charter’s financial statement presentation.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

KINETIC ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Kinetic Academy. Revenues are recognized by the Charter when earned.

G. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management’s estimates.

H. Cash and Cash Equivalents

Kinetic Academy considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

The Charter’s method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions.

KINETIC ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances (continued)

Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2023, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

Kinetic Academy has adopted a policy to capitalize asset purchases over \$2,500. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

M. Income Taxes

Kinetic Academy is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**KINETIC ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Change in Accounting Principle

ASC 842 Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021.

Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee’s right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Charter has determined the impact and has reflected the significant change from this accounting principle within its financial statements for the 2022-23 fiscal year. Refer to Note 6 for additional information regarding the operating lease and the related right-of-use asset and operating lease liability held by the Charter.



NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2023, consists of the following:

Cash in county treasury	\$ 789,098
Cash in banks, non-interest bearing	366,245
Cash on hand or awaiting deposit	40
Total Cash and Cash Equivalents	\$ 1,155,383

Cash in Banks

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Kinetic Academy does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2023, \$194,275 of the Kinetic Academy’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks.

Cash in County Treasury

Policies and Practices

Kinetic Academy is a voluntary participant in an external investment pool. The fair value of the Charter’s investment in the pool is reported in the financial statements at amounts based upon the Charter’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

KINETIC ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest Charter funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Charter has managed its exposure to interest rate risk by investing in the county treasury. The Charter's investments in the Orange County Treasury Investment Pool, which combines the Charter's share of the portfolio, has a combined fair value of \$781,261 and an amortized book value of \$789,098 as of June 30, 2023. The average weighted maturity for this pool is 225 days.

Fair Value Measurement

Cash in county treasury is measured at Level 1 using the fair value input levels noted in Note 1N. The funds were not previously measured. The Charter has reclassified these funds as Level 1 because the amounts invested in the county treasury pooled investment fund primarily consist of investment types having observable inputs that reflect quoted prices. The investment types include those noted under the general authorizations section. As such, the carrying value consists of the amortized book value presented as "cash in county treasury" offset by the "county treasury fair value adjustment" to arrive at the combined fair value amount noted under the interest rate risk section.

KINETIC ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023, consists of the following:

Local control funding sources, state aid	\$	16,490
Federal sources		103,659
Other state sources		83,780
In lieu property tax payments		180,068
Other local sources		24
Total Accounts Receivable	\$	384,021

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2023, consists of the following:

Salaries and benefits	\$	118,670
Vendor payables		42,491
Due to grantor government		26,327
Due to authorizing agency		25,871
Total Accounts Payable	\$	213,359

NOTE 5 – DEFERRED REVENUE

Deferred revenue as of June 30, 2023, consists of \$479,569 from conditional contributions for state programs.

NOTE 6 – OPERATING LEASE

In November 2022, the Charter entered into an amended lease agreement to occupy space located at 719-721 Utica Avenue in Huntington Beach, California. The facility is utilized for instructional services in order to meet the goals established by the Charter. The original lease called for a security deposit of \$20,000, which has been recorded as a noncurrent asset on the statement of financial position. The amended lease agreement covers a term beginning July 1, 2022 through June 30, 2027.

At June 30, 2023, the right-of-use asset was \$1,561,502 and the operating lease liability was \$1,586,128. The Charter has accounted for its lease agreements using an implied discount rate of 4%. The associated asset and liability are amortized over the term of the lease as follows:

Fiscal Year Ending June 30,	Operating Lease Liability	Right-of-Use Asset
2024	\$ 410,253	\$ 422,930
2025	422,561	422,930
2026	435,237	422,930
2027	448,295	422,930
Subtotal	1,716,346	1,691,720
NPV adjustment	(130,218)	(130,218)
Total	\$ 1,586,128	\$ 1,561,502

KINETIC ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 7 – NET ASSETS

As of June 30, 2023, the Charter did not hold any net assets with donor restrictions. Certain designations or reserves can be made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2023, the Charter’s net assets without donor restrictions consists of an undesignated amount of \$882,645.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter’s financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 1,155,383
Accounts receivable, current portion	384,021
Prepaid expenses	39,535
Contractual or donor-imposed restrictions	
Cash held for conditional contributions	(479,569)
Financial Assets available to meet cash needs	
for expenditures within one year	\$ 1,099,370

NOTE 9 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer a defined benefit pension plan maintained by an agency of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plan if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS). The Charter also offers social security as an alternative plan to all employees who may not qualify for CalSTRS. Additional information regarding the CalSTRS plan is as follows:

Plan Description

Kinetic Academy contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2022-23 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2022-23 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter’s contributions to CalSTRS for the fiscal year ended June 30, 2023 was \$332,562; 100% of the required contribution.

**KINETIC ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Kinetic Academy is estimated at \$149,342. The on-behalf payment amount is computed as the proportionate share of total 2021-22 State on-behalf contributions.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, Kinetic Academy is approved to operate as a public charter school through authorization by the Huntington Beach City School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

The Charter makes payments to the authorizing agency to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$25,871 for the fiscal year ending June 30, 2023.

Governmental Funds

Kinetic Academy 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately \$1,859,011 as of June 30, 2022. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 9 for additional information on employee retirement plans.

NOTE 11 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Kinetic Academy in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles. The Charter did not receive any donated items during the year ended June 30, 2023.

NOTE 12 – RELATED PARTY TRANSACTIONS

Interested Parties

The Charter's Executive Director, Bre Lionetti, is also a member of the Board of Directors and as such, is classified as an interested party because she is also employed by the Charter.

**KINETIC ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 12 – RELATED PARTY TRANSACTIONS (continued)

Supporting Organization

The Charter is provided with added support from the Kinetic Parent Organization (KPO). KPO is a key component of the Charter for coordinating student activities and staff appreciation throughout the school year. The KPO is governed by a group of individuals; none of which also share a seat of the governing body for the Charter. The Charter benefits indirectly from KPO-sponsored events; however, there were no financial transactions between Kinetic Academy and the Kinetic Parent Organization during the year ended June 30, 2023.

NOTE 13 – SUBSEQUENT EVENTS

Kinetic Academy has evaluated subsequent events for the period from June 30, 2023 through December 11, 2023, the date the financial statements were available to be issued.

On July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended California Education Code (EC) 47607.4. The EC was amended to add “all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year.” As a result, the charter petition end date is extended to June 30, 2027.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

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SUPPLEMENTARY INFORMATION

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**KINETIC ACADEMY
LEA ORGANIZATION STRUCTURE
JUNE 30, 2023**

This schedule provides information about the local education agency (LEA or charter school), including the Charter’s authorizing agency, grades served, members of the governing body, and members of the administration.

Kinetic Academy, located in Orange County, was formed as a nonprofit public benefit corporation on January 19, 2016. The charter school operated by the nonprofit, Kinetic Academy, is numbered by the State Board of Education as Charter No. 1812. The Charter is authorized to operate as a charter school by the Huntington Beach City School District. Classes initially began in Fall 2016. During 2022-23, the Charter served approximately 327 students in grades TK to 8.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Michele Asay	Chair	June 2023
Jeff Ball	Vice Chair	June 2023
Lisa Kadam	Secretary	June 2023
Bill Brooks	Director	June 2023
Bre Lionetti*	Director	June 2023

**Also employed by the Charter as Executive Director*

ADMINISTRATION

Bre Lionetti
Executive Director

**KINETIC ACADEMY
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2023**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter 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 and in different programs.

	Second Period Report	Annual Report
	<u>Classroom-Based</u>	
Grade Span		
Regular		
Kindergarten* through third	178.95	180.31
Fourth through sixth	99.94	99.82
Seventh through eighth	26.02	26.50
Total Average Daily Attendance - Classroom-Based	<u>304.91</u>	<u>306.63</u>
	<u>Nonclassroom-Based</u>	
Grade Span		
Regular		
Kindergarten* through third	1.52	1.38
Fourth through sixth	0.85	0.67
Seventh through eighth	0.15	0.14
Total Average Daily Attendance - Nonclassroom-Based	<u>2.52</u>	<u>2.19</u>
Total Average Daily Attendance	<u>307.43</u>	<u>308.82</u>

*Includes Transitional Kindergarten (TK)

**KINETIC ACADEMY
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2023**

This schedule presents information on the amount of instructional time offered per grade level by the Kinetic Academy and whether the Charter complied with the provisions of *Education Code Section 47612.5*.

Grade Level	Minutes Requirement	2022-23 Instructional Minutes	2022-23 Number of Days	Status
Kindergarten*	36,000	49,230	177	Complied
Grade 1	50,400	54,720	177	Complied
Grade 2	50,400	54,720	177	Complied
Grade 3	50,400	54,720	177	Complied
Grade 4	54,000	54,720	177	Complied
Grade 5	54,000	54,720	177	Complied
Grade 6	54,000	56,490	177	Complied
Grade 7	54,000	56,490	177	Complied
Grade 8	54,000	56,490	177	Complied

*Includes Transitional Kindergarten (TK)

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**KINETIC ACADEMY
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL
STATEMENTS
JUNE 30, 2023**

This schedule provides the information, if necessary, to reconcile fund balance reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets on the audited financial statements.

There were no adjustments to reconcile fund balance reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets per the audited financial statements for the year end ended June 30, 2023.

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OTHER INDEPENDENT AUDITORS' REPORTS

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**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**

Independent Auditors' Report

To the Board of Directors of
Kinetic Academy
Huntington Beach, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Kinetic Academy (the "Charter") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated **December 11, 2023**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter'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 Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 were not identified.

Report on Compliance and Other Matters

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

San Diego, California
December 11, 2023

DRAFT

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL
OVER COMPLIANCE FOR STATE PROGRAMS**

Independent Auditors' Report

To the Board of Directors of
Kinetic Academy
Huntington Beach, California

Report on State Compliance

Opinion on State Compliance

We have audited Kinetic Academy's compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Kinetic Academy's state program requirements for the fiscal year ended June 30, 2023.

In our opinion, Kinetic Academy complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2023, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Kinetic Academy and to meet certain 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 opinion on state compliance. Our audit does not provide a legal determination of Kinetic Academy'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 internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Kinetic Academy's state programs.

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kinetic Academy'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 generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists.

Auditor’s Responsibilities for the Audit for State Compliance (continued)

The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Kinetic Academy’s compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement 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 Kinetic Academy’s compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kinetic Academy’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 K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Kinetic Academy’s internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Kinetic Academy’s compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Not applicable
After/Before School Education and Safety Program	Not applicable
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
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No*
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

**We did not perform testing of Nonclassroom-Based Instruction/Independent Study because ADA is not material.*

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

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 or 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 state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 state 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 Auditor's Responsibilities for the Audit of State Compliance section 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. 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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

San Diego, California
December 11, 2023

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FINDINGS AND QUESTIONED COSTS SECTION

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**KINETIC ACADEMY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023**

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>None</u>

Federal Awards

The Charter did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable.

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

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**KINETIC ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2023**

All audit year findings, if any, are assigned an appropriate finding code as follows:

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
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

FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2023.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2023.

PRIOR AUDIT FINDINGS

This section presents the status of actions taken by the Charter on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2022.