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Ocean Charter School

Audit Presentation
Year ended June 30, 2025

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Results of Professional Services

Audit Adjustments

No audit adjustments

No uncorrected misstatements

Audit Opinion

- Financial Statement Audit:
 - Unmodified opinion
 - No material weaknesses or significant deficiencies identified
- State Compliance Audit:
 - Unmodified opinion
 - No material weaknesses or significant deficiencies identified

Accounting/Audit Standards

No new accounting policies or audit standards were adopted.





Financial Highlights



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Financial Highlights – as of 6/30/25

Current Ratio

- Measures the ability to pay off short term obligations.
- Ocean Charter ratio is 2
- A healthy ratio is at least 2.

Months of Cash

- Quick snapshot of the organizations “survival time” were it to lose future funding or become unable to generate short-term revenue
- Ocean Charter has 3 months of cash.
- A healthy number is 3-6 months.



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Current ratio = current assets/current liabilities

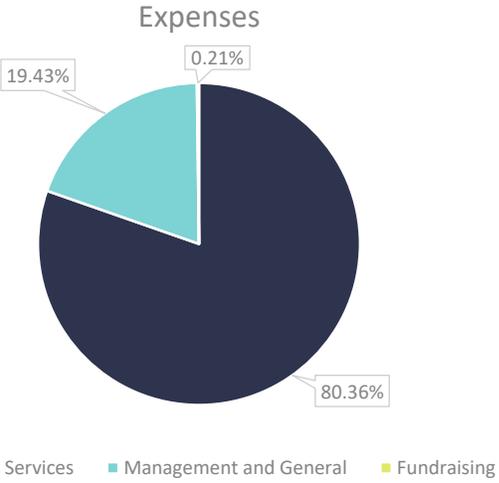
Months of cash = cash/ (total expenses/12 months)

Financial Highlights – 24/25

- 2025 net loss of \$706,456
 - Note depreciation expense (non-cash) of \$1,468,567.
- Increase in cash of \$358,350



Functional Expenses



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Program = 80.36%, M&G = 19.43%, Fundraising = less than 1% (0.21%)



Creating Opportunities



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CLA Resources and Publications

- Impact of Government Shutdown on Nonprofit Services:

<https://www.claconnect.com/en/resources/blogs/nonprofits/impact-of-government-shutdown-on-nonprofit-services>

- AI and Cybersecurity: Protect Your Organization from Emerging Threats:

<https://godigital.claconnect.com/insights/article/ai-and-cybersecurity-protection-strategies/>

- Important Update Regarding GoFundMe Nonprofit Pages:

<https://www.claconnect.com/en/resources/blogs/nonprofits/important-update-regarding-gofundme-nonprofit-pages>



Talent Solutions



Through all stages of growth



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Digital

Automation and integration Analytics **Cybersecurity**

Cybersecurity

Protect your business as comprehensively as possible. Our hackers are seasoned security professionals, and you'll be glad they're on your side.

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Featured services

- ✂ Data security and compliance
- 🔗 Incident response
- 🚫 Penetration testing



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State Compliance Updates for 25/26 & Discussion Items

Based on 7/1/25 Audit Guide



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25/26 Updates – 7/1/25 Audit Guide

- ELOP
 - For programs that charge family fees. We will need to verify fees were waived for pupils who are eligible for free/reduced priced meals, homeless youth, or in foster care.
 - We will also need to verify the fees were on a sliding scale that considers family income and ability to pay.
- TK
 - Adult to student ratio changed to 10 students to 1 adult.
 - Will need to verify the credentialed teacher assigned to a TK classroom met the requirements of ED Code Section 48000(g)(4). Ed Code in notes.
- Immunizations
 - If on the list on the CDPH website - checking one Tdap dose for 7th graders.
- Attendance Recovery
 - Steps have been added for Saturday school attendance recovery. Listed out in notes if you want to see them.



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48000(g)(4)

(4) Ensure that credentialed teachers who are first assigned to a transitional kindergarten classroom after July 1, 2015, have, by August 1, 2025, one of the following:

(A) At least 24 units in early childhood education, childhood development, or both.

(B) As determined and documented by the local educational agency employing the teacher, professional experience in a classroom setting with preschool age children meeting the criteria established by the governing board or body of the local educational agency that is comparable to the 24 units of education described in subparagraph (A).

(C) A child development teacher permit, or an early childhood education specialist credential, issued by the Commission on Teacher Credentialing.

Attendance Recovery – Audit Procedures as of 7/1/25 audit guide:

1. Select a representative sample of pupils for whom ADA generated through AR was claimed, and obtain reports of their absences and AR attendance. For each pupil sampled, perform the following procedures:
 - a. If the LEA is a charter school, perform the following procedures: i. Verify that the pupil is enrolled in a classroom-based program, pursuant to Education Code section 47612.5(e). ii. Verify that the pupil is not enrolled in a school that serves pupils through a partnership pursuant to Education Code section 47612.1.
 - b. Verify that the pupil was not continually enrolled in an Independent Study agreement(s) for longer than 15 days on the dates of their participation in an AR program.
 - c. Examine the attendance accounting record to verify that the pupil's AR attendance was maintained on a separate register, or that the LEA had another mechanism in place to track ADA generated through AR separately from other ADA.

- d. Verify that AR attendance is only claimed in whole days of ADA.
- e. Verify that the pupil's total AR attendance for the school year is no greater than ten days, or the total number of absences the pupil accrued in that school year, whichever is fewer.
- f. For each day of ADA claimed through AR, verify that the pupil's participation time met the applicable minimum daily minute requirement pursuant to Education Code section 46211(e)(2). i. If hourly accounting of participation time was used, trace to supporting documentation by the AR teacher. ii. If the student has an individualized educational plan (IEP) that lists an alternative minimum daily minute requirement, verify that the requirement in the IEP was used in the calculation of ADA.
- g. For all participation times that contributed to generating a day of ADA through AR, perform the following procedures: i. Verify that the pupil was under the supervision of an employee of the LEA possessing a valid teaching certificate pursuant to Sections 46300 and 47612.5. ii. Verify that the classroom(s) where the pupil participated in AR maintained a pupil-to-certificated teacher ratio of no more than 10 to 1 when the classroom contained transitional kindergarten or kindergarten pupils, and maintained a pupil-to-certificated teacher ratio of no more than 20 to 1 for all other grades, pursuant to Education Code section 46211(f). iii. Determine that the LEA has documentation demonstrating that the pupil was provided with content aligned to grade level standards that is substantially equivalent to in-person instruction.
- h. Verify that no pupil generated more than one day of attendance per calendar day of participation in AR. Then perform one of the following procedures: ii. For charter schools: Verify that the pupil was not credited with more than a day of ADA per calendar day when school was actually taught, pursuant to Education Code section 47612 and Section 11960 of Title 5 of the California Code of Regulations.

25/26 Updates – 7/1/25 Audit Guide

- Comprehensive School Safety Plan
 - Verify the LEA adopted an instructional continuity plan per the requirements in Education Code Section 32282(a)(3)(A). Ed Code in notes.
 - Verify each school had its comprehensive school safety plan reviewed and updated by March 1 as described in Education Code sections 32286, 47605(c)(5)(F) and 47605.6(b)(5)(G), as applicable.
- Independent Study
 - Interviews of LEA administrative personnel as well as a sample of independent study teachers and review written agreements to determine if the LEA provided independent study pupils or their families with direct monetary funding or ownership of any other things of value such as equipment.
 - If the LEA provides other things of value, verify that the LEA retains ownership of any things of value, such as equipment, (pursuant to subdivision (b) of Education Code section 51747.3). Review program materials provided to all parents/guardians to determine that pupils engaged in independent study were neither offered direct monetary funding nor given incentives or special benefits, such as ownership of any other things of value, such as equipment.



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Education Code Section 32282(a)(3)(A): (a) The comprehensive school safety plan shall include, but not be limited to, all of the following:

(3) (A) Beginning July 1, 2025, an instructional continuity plan to establish communication with pupils and their families and provide instruction to pupils when in-person instruction is disrupted due to an emergency pursuant to Section 41422 or subdivision (a) of Section 46392. The plan shall include all the following:

(i) Procedures for pupil engagement, as soon as practicable, and no later than five calendar days following the emergency. Procedures shall be designed to establish two-way communication with pupils and their families and identify and provide supports for pupils' social-emotional, mental health, and academic needs.

(ii) A plan to provide access to in-person instruction or remote instruction pursuant to Sections 51747 and 51749.5, as soon as practicable, but no later than 10 instructional days following the emergency. The plan may include support to pupils and families to enroll in or be temporarily reassigned to another school district, county office of education, or charter school.

For purposes of this paragraph, "temporarily reassigned" means temporarily reassigned to another local educational agency outside of the school district, but within the county or an immediately adjacent county, in which the pupil's parent or guardian resides. Notwithstanding Section 48200 or any other law, a pupil who is temporarily reassigned shall be deemed to have complied with the residency requirements for attendance in the local educational agency that is temporarily serving the pupil pursuant to this section.

(ii) Notwithstanding Section 48200 or any other law, a school district, county office of education, or charter school may continue to enroll a pupil who is temporarily reassigned to another school district, county office of education, or charter school pursuant to this section in order to facilitate the timely reentry of the pupil in their prior school after the emergency event has ended.

(D) This paragraph applies to school districts, county offices of education, and charter schools.

Discussion Points

- Independent Study – SB 153
 - Area of interest/confusion: LEA is required to maintain documentation of hours or fraction of an hour of both pupil work products and the time that the pupil engaged in asynchronous instruction.
 - It is the intent of the Legislature that teachers be given access to digital assignment tracking systems to reduce workload associated with evaluating and accounting for pupil work and synchronous instruction participation.
 - Pupil work products may include the daily time value spent by a pupil engaged in asynchronous instruction, including work completed on an online or computer-based instructional activity, regardless of whether pupil work products are produced, if the computer program documents pupil participation. The local educational agency shall maintain documentation of each hour or fraction of an hour of both pupil work products and the time that the pupil engaged in asynchronous instruction.
- SB 414
 - Governor vetoed this bill - The Governor's message calls for continued discussions and new legislation early next year, so this issue—and the sections affecting CPAs and school auditors—will likely return in 2026.



SB414

This bill would have made changes to oversight, auditing, and funding systems for nonclassroom based charter schools, expanded LEA's auditing procedures and established a new Office of the Education Inspector General. Overall, the bill lacked support from education unions and school groups, and it did not include input or funding for the State Controller's Office to implement key provisions.



Preview of Expected State Compliance Changes



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Expected Updates to 25/26

- Unduplicated Local Control Funding Formula Pupil Counts
 - For NSLP Program eligible pupils, adding the following as appropriate supporting documentation: a federal Summer Electronic Benefit Transfer for Children (Summer EBT) - compliant Universal Benefit Application
- LCAP
 - Adding that the auditor verify that the LCAP was adopted on or before July 1 of the audit year (7/1/25).
 - If not, financial penalty will need to be calculated and reported for each business day that passed since 7/1 without the entity adopting it. (Ed Code in notes).
- ELOG (to be removed)



EdCode 52065.1

(a) (1) If a local educational agency is identified pursuant to the audit described in Section 41020 as not having adopted a local control and accountability plan by July 1, as required pursuant to Section 47606.5, 52060, or 52066, as applicable, or as not having adopted an annual update to a local control and accountability plan by July 1, as required pursuant to Section 47606.5, 52060, or 52066, as applicable, the local educational agency shall be assessed **a financial penalty equal to 20 percent of the local educational agency's second principal apportionment local control funding formula entitlement pursuant to Section 2574, 2575, or 42238.02, as applicable.**

(2) For each additional business day that the local educational agency does not adopt a local control and accountability plan or an annual update to a local control and accountability, the penalty described in paragraph (1) shall be increased by 1 percent of the local educational agency's second principal apportionment local control funding formula entitlement pursuant to Section 2574, 2575, or 42238.02, as applicable, but shall not exceed a total of 80 percent of the second principal apportionment.

(b) A financial penalty applied pursuant to subdivision (a) shall (1) be a reduction to the principal apportionment made to the local educational agency for the applicable fiscal year

pursuant to Section 41330, 41332, or 41335, as applicable, (2) not reduce the final apportionment below the amount necessary to meet the requirements of Section 6 of Article IX of the California Constitution, as specified in Section 41975, and Section 36 of Article XIII of the California Constitution, and (3) be modified, as applicable, if the delay is due to any of the events described in subdivision (a) of Section 46392.



Appendix



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Required Board Communications

Topic	Communication
Our Responsibility Under Generally Accepted Auditing Standards	<ul style="list-style-type: none"> • Express an opinion on the fair presentation of the financial statements in conformity with GAAP • Plan and perform the audit to obtain reasonable (a high level), but not absolute, assurance that the financial statements as a whole are free from material misstatement • Obtain an understanding of internal control over financial reporting • Utilize a risk-based audit approach • Evaluate accounting policies and significant accounting estimates • Conclude whether there is substantial doubt about the entity's ability to continue as a going concern • Communicate significant matters to appropriate parties
Planned Scope and Timing of the Audit	<ul style="list-style-type: none"> • Performed the audit according to the planned scope and timing previously communicated via the planning communication dated May 12, 2025.
Other Information Included in Annual Reports	<ul style="list-style-type: none"> • Other information is comprised of the Local Education Agency Organization Structure. • We did not identify any material inconsistencies between the other information and the audited financial statements.



Required Board Communications

Topic	Communication
Significant Accounting Policies	<ul style="list-style-type: none"> • Management is responsible for the accounting policies of the organization • Accounting policies are outlined in Note 1 to the financial statements • Accounting policies deemed appropriate
Significant Accounting Estimates	<ul style="list-style-type: none"> • An area of focus under a risk-based audit approach • Estimates determined by management based on their knowledge and experience • No management bias indicated • Estimates were deemed reasonable
Significant Unusual Transactions	<ul style="list-style-type: none"> • No significant unusual transactions noted
Supplementary Information	<ul style="list-style-type: none"> • Supplementary schedules • Engaged to report in relation to the financial statements as a whole • Method of preparing has not changed from the prior year • Supplementary information reconciles to financial statements • Supplementary information is appropriate and complete in relation to our audit



Required Board Communications

Topic	Communication
Management Representation Letter	<ul style="list-style-type: none">• Management will provide signed representation letter prior to finalization of the audit report
Other	<ul style="list-style-type: none">• No difficulties encountered in performing the audit• No issues discussed prior to retention as independent auditors• No disagreements with management regarding accounting, reporting, or other matters• No management consultations with other independent auditors• No difficult or contentious matters requiring consultations outside of the engagement team• No other findings or issues were discussed with, or communicated to, management
Form and Content of the Auditors' Report	<ul style="list-style-type: none">• Unmodified opinion

