



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

**Wave Academy**  
**Audited Financial Statements**  
**Year Ended December 31, 2017**

	<u>Page No.</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 9



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**Wave Academy**

We have audited the accompanying financial statements of WAVE Academy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WAVE Academy as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

August 7, 2018

  
Sonnenberg & Company, CPAs

**Wave Academy**  
**Statements of Financial Position**  
**December 31, 2017**

	Totals
<b>ASSETS</b>	
Cash	\$ 263,214
Grants Receivable	195
Prepaid Expenses	12,730
Deposits	975
<b>TOTAL ASSETS</b>	<b>\$ 277,114</b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 336
Accrued Payroll Expense	10,877
Other Accrued Expenses	630
<b>TOTAL LIABILITIES</b>	<b>11,843</b>
 <b>NET ASSETS</b>	
Unrestricted	170,031
Temporarily Restricted	95,240
<b>TOTAL NET ASSETS</b>	<b>265,271</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 277,114</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**Wave Academy**  
**Statement of Activities**  
**For the Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions - Public	\$ 138,777	-	\$ 138,777
Contributions - Grants	60,000	125,000	185,000
Program Income	11,602	-	11,602
In-Kind Contributions	400	-	400
Interest Income	10	-	10
Net Assets Released from Restrictions	45,890	(45,890)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>256,679</u>	<u>79,110</u>	<u>335,789</u>
<b>EXPENSES</b>			
Program Services	213,902	-	213,902
Supporting Activities			
Management and General	30,951	-	30,951
Fund-raising	22,411	-	22,411
<b>TOTAL EXPENSES</b>	<u>267,264</u>	<u>-</u>	<u>267,264</u>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (10,585)</b>	<b>\$ 79,110</b>	<b>\$ 68,525</b>
Net Assets at Beginning of Year	<u>\$ 180,616</u>	<u>\$ 16,130</u>	<u>\$ 196,746</u>
Net Assets at End of Year	<u><u>\$ 170,031</u></u>	<u><u>\$ 95,240</u></u>	<u><u>\$ 265,271</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

**Wave Academy**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Totals Totals</u>
<b>Personnel and Related</b>				
Salaries	\$ 75,057	\$ 8,660	\$ 12,510	\$ 96,227
Payroll Taxes	5,708	659	951	7,318
Staff Training	47	12	-	59
<b>Total Personnel and Related</b>	<u>80,812</u>	<u>9,331</u>	<u>13,461</u>	<u>103,604</u>
<b>Outside Contractors/Consultants</b>				
Accounting	2,613	10,454	-	13,067
Administration	11,072	2,768	-	13,840
Aquatic Therapy	9,253	-	-	9,253
Website	4,471	-	1,118	5,589
<b>Total Outside Contractors</b>	<u>27,410</u>	<u>13,222</u>	<u>1,118</u>	<u>41,749</u>
<b>Operating expenses</b>				
Aquatic Therapy	78,880	-	-	78,880
Bank Charges	-	1,117	-	1,117
Scholarships	1,120	-	-	1,120
Dues & Subscriptions	280	560	1,960	2,800
Facilities - Office Rent	5,579	1,860	1,860	9,298
Facilities - Pool	25	-	-	25
In-Kind Services & Expenses	340	-	60	400
Insurance	11,815	2,954	-	14,769
Marketing	685	-	456	1,141
Special Events	1,588	-	1,588	3,176
Office Expenses	3,299	1,650	1,650	6,598
Travel & Conferences	2,070	259	259	2,587
<b>Total Operating Expenses</b>	<u>105,680</u>	<u>8,399</u>	<u>7,832</u>	<u>121,911</u>
<b>Total Expenses</b>	<u>\$ 213,902</u>	<u>\$ 30,951</u>	<u>\$ 22,411</u>	<u>\$ 267,264</u>

The accompanying notes are an integral part of these financial statements

**Wave Academy**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

	2017
Cash flows from operating activities:	
Change in net assets	\$ 68,525
(Increase) Decrease in:	
Accounts receivable	(195)
Prepaid expenses	(1,658)
Deposits	(100)
Increase (Decrease) in:	
Accounts payable	336
Payroll liabilities	3,409
Net cash provided by (used in) operating activities	70,317
Cash flows from financing activities:	
Net cash used in financing activities	-
Net increase in cash	70,317
Cash, beginning of year	192,897
Cash, end of year	\$ 263,214

The accompanying notes are an integral part of these financial statements

**Wave Academy**  
Notes to Financial Statements  
Year Ended December 31, 2017

**Note 1.      Organization**

Wave Academy (the Organization) was founded and incorporated as a nonprofit California corporation on December 20, 2010. The specific purposes are to (1) create a nationally recognized aquatic educational and research campus, (2) implement an aquatic apprenticeship program, (3) offer a career credential in the domain of aquatic physical therapy, and (4) to create an educational facility available to members of the public, regardless of financial ability. The organization is committed to supporting scholarship recipients who are enthusiastic about connecting with water and giving them the tools to turn to what they love into a valuable career in aquatic therapy.

The Organization receives funding primarily from individual contributions and foundation grants.

The Organization is a not-for-profit organization operating under section 501(c)(3) of the Internal Revenue Code, and California Franchise Tax Board under section 23701(d) and is exempt from federal, state, and local income taxes and, accordingly, no provision for income taxes is included in the financial statements.

The Organization's income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed; and the California Franchise Tax Board, generally for four years after they are filed.

**Note 2.      Summary of Significant Accounting Policies**

*Basis of Accounting:* The financial statements are presented on the accrual basis, in accordance with U.S. generally accepted accounting principles.

*Basis of Presentation:* The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted Net Assets:** These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Temporarily Restricted Net Assets:** The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. Temporarily restricted net assets total \$95,240 as of December 31, 2017.

**Permanently Restricted Net Assets:** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the organization to expend the income (or other economic benefits) derived from the donated assets. The Organization did not have any permanently restricted net assets as of December 31, 2017.

**Wave Academy**  
Notes to Financial Statements  
Year Ended December 31, 2017

**Note 2. Summary of Significant Accounting Policies (continued):**

Contributions: Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are reported net of online processing fees.

Cash and Cash Equivalents: For purposes of presenting the Statements of Cash Flows, the Organization considers all cash in bank and securities with an initial maturity of three months or less to be cash or cash equivalents.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Property and Equipment: Property and equipment with the cost of greater than \$1,000 and the useful life greater than one year are capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Maintenance and repairs costs are charged to expense as incurred.

Contributed Services: Contributed services are recognized in the financial statements when the contributed services create or enhance non-financial assets, and require specialized skills, are provided by persons possessing those skills, and would typically need to be purchased if not provided by contribution. In-kind services provided by qualified professionals have been recorded in the financial statements in the amount of \$400. In addition, a number of volunteers have donated significant amounts of their time to the Organization during the year ending December 31, 2017. However, the value of those services is not reflected in the accompanying financial statements because the criteria for recognition have not been met.

Contributed Expenses: Contributed expenses are recognized in the financial statements at fair value. No contributed expenses have been recognized in the year ended December 31, 2017.

Accounts Receivable:

Client fees are recorded as revenue when received. Due to inability of many of the clients to pay in full, amounts are written off as scholarship expense. No accounts receivable related to client fees are recorded.



**Wave Academy**  
Notes to Financial Statements  
Year Ended December 31, 2017

**Note 2. Summary of Significant Accounting Policies (continued):**

**Functional Expenses:**

A functional classification of expenses has been used to analyze the cost of providing various services or other activities, including Program Services and Supporting Services. Certain costs are allocated within the various categories. Program Services include all expenses incurred by the Organization for activities directly related to the purposes for which the Organization exists. Supporting Services include all expenses incurred by the Organization for activities not directly related to the purposes for which the organization exists. These expenses are recorded as Management and General, or as Fund raising.

**Date of Managements Review:** The management has evaluated subsequent events through August 7, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.

**Note 3. Property and Equipment**

Property and Equipment at December 31, 2017 consist of computers and office furniture. The total purchases cost was \$4,555 and fully depreciated as of December 31, 2017. The organization's capitalization policy is to write off equipment purchases under \$1,000 total. The purchases have been written off in year of acquisition as depreciation expense.

**Note 4. Contingencies**

Grant funds received by the Organization are subject to review by grantor agencies. Such reviews could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. Management believes that such disallowance, if any, will not be significant.

**Note 5. Office Rent Commitments**

Beginning May 1, 2013, the Organization committed for a month-to-month rental of office facilities at 4455 Murphy Canyon Rd, in San Diego, California. The initial monthly rent was \$600 and was increased to \$725 per month for a different office space. Total rent expense for the year ended December 31, 2017 was \$9,298 including additional charges for occasional use of a conference room.

**Note 6. Income Tax Status**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California State Revenue and Taxation Code. The Organization may be subject to tax on income which is not related to its exempt purposes. The Organization's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

**Wave Academy**  
Notes to Financial Statements  
Year Ended December 31, 2017

**Note 7. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Cash balances at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Organization's uninsured cash balance was \$13,214.

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2017 are restricted as follows:

	<u>Dec 31</u> <u>2016</u>	<u>Additions</u>	<u>Released</u>	<u>Dec 31</u> <u>2017</u>
Warm Water Therapy	\$ 16,130	\$ 125,000	\$ (45,890)	\$ 95,240
Total	<u>\$ 16,130</u>	<u>\$ 125,000</u>	<u>\$ (45,890)</u>	<u>\$ 95,240</u>