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Leonard C. Sonnenberg, CPA

Wave Academy
Audited Financial Statements
Year Ended December 31, 2019

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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, 2019, 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, 2019, 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.

Other Matters

We have previously audited Wave Academy's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 20, 2020


Sonnenberg & Company, CPAs

Wave Academy
Statements of Financial Position
December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019	2018
ASSETS		
Cash - Not Restricted by Donors	\$ 212,581	\$ 191,055
Cash - Restricted by Donors	99,202	95,851
Grants Receivable	14,206	9,806
Prepaid Expenses	16,654	16,642
Deposits	450	1,100
Property & Equipment	9,243	8,960
Accumulated Depreciation	(9,243)	(4,711)
Property & Equipment, Net	-	4,249
TOTAL ASSETS	\$ 343,093	\$ 318,703
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ -	\$ 200
Payroll Taxes Payable	4,934	6,986
Accrued Vacation Pay	4,386	650
TOTAL LIABILITIES	9,320	7,836
 NET ASSETS		
Without Donor Restrictions	237,922	211,665
With Donor Restrictions	95,851	99,202
TOTAL NET ASSETS	333,773	310,867
TOTAL LIABILITIES AND NET ASSETS	\$ 343,093	\$ 318,703

The Accompanying Notes are an Integral Part of the Financial Statements

Wave Academy
Statement of Activities
For the Year Ended December 31, 2019
(With Summarized Comparative Totals for December 31, 2018)

	<u>Not Restricted by Donors</u>	<u>Restricted by Donors</u>	<u>2019 Total</u>	<u>2018 Total</u>
SUPPORT AND REVENUE				
Contributions - Foundations	\$ 51,160	\$ 124,000	\$ 175,160	\$ 128,000
Contributions - Govt Grants-CDBG	-	59,517	59,517	21,775
Contributions - Corporate	3,950		3,950	1,650
Contributions - Individuals	124,008		124,008	164,993
Fundraising and Special Events	44,233		44,233	37,234
Program Co-Pay	5,990		5,990	7,023
In-Kind Contributions	95		95	
Interest Income	455		455	16
Net Assets Released from Restrictions	<u>186,868</u>	<u>(186,868)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>416,759</u>	<u>(3,351)</u>	<u>413,408</u>	<u>360,691</u>
				360,691
EXPENSES				
Program Services	274,950		274,950	245,454
Supporting Activities				
Management and General	55,160		55,160	35,536
Fund-raising	<u>60,392</u>		<u>60,392</u>	<u>34,104</u>
TOTAL EXPENSES	<u>390,502</u>	<u>-</u>	<u>390,502</u>	<u>315,094</u>
CHANGE IN NET ASSETS	\$ 26,257	\$ (3,351)	\$ 22,906	45,597
Net Assets at Beginning of Year	<u>\$ 211,665</u>	<u>\$ 99,202</u>	<u>\$ 310,867</u>	<u>265,270</u>
Net Assets at End of Year	<u><u>\$ 237,922</u></u>	<u><u>\$ 95,851</u></u>	<u><u>\$ 333,773</u></u>	<u><u>\$ 310,867</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, 2019
(With Comparative Totals for December 31, 2018)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Personnel & Related					
Salaries	\$ 97,922	32,641	32,641	\$ 163,204	\$ 128,376
Payroll Taxes	6,364	2,121	2,121	10,606	6,361
Staff Training	163	54	54	272	500
Total Personnel & Related	<u>104,449</u>	<u>34,816</u>	<u>34,816</u>	<u>174,082</u>	<u>135,237</u>
Outside Administrative Services					
Accounting	4,831	4,831	2,415	12,077	11,736
Grant writing	-	-	6,163	6,163	2,739
Payroll processing	695	232	232	1,159	836
Website	326	326	163	814	1,073
Other Contract	3,789	1,263	1,263	6,315	1,095
Total Admin Services	<u>9,641</u>	<u>6,651</u>	<u>10,236</u>	<u>26,528</u>	<u>17,479</u>
Operating expenses					
Aquatic Therapy	112,235	-	-	112,235	110,175
Depreciation	3,399	453	680	4,532	1,062
Dues & Subscriptions	2,693	359	539	3,591	1,590
Facilities - Office Rent	5,985	5,985	-	11,969	12,949
Facilities - Telephone	155	21	31	207	-
In-Kind Services & Expenses	95	-	-	95	-
Insurance	13,934	1,858	2,787	18,578	10,475
Marketing	5,621	749	1,124	7,494	2,600
Special Events	9,491	-	9,491	18,981	12,561
Office Expenses	3,809	3,809	-	7,617	5,177
Travel & Conferences	3,445	459	689	4,593	5,789
Total Operating Expenses	<u>160,860</u>	<u>13,693</u>	<u>15,340</u>	<u>189,892</u>	<u>162,378</u>
Total Expenses - 2019	<u>\$ 274,950</u>	<u>\$ 55,160</u>	<u>\$ 60,392</u>	<u>\$ 390,502</u>	
Total Expenses - 2018	<u>245,454</u>	<u>35,536</u>	<u>34,104</u>		<u>\$ 315,094</u>
% per audit	70%	14%	15%		

The accompanying notes are an integral part of these financial statements

Wave Academy
Statement of Cash Flows
For the Year Ended December 31, 2019
(With Summarized Comparative Totals for December 31, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 22,906	\$ 45,597
Adjustments to reconcile change in net assets to net cash provided by or (used in) operating activities:		
Depreciation	4,532	1,062
(Increase) Decrease in:		
Accounts receivable	(4,400)	(9,412)
Prepaid expenses	(12)	(3,912)
Deposits	650	(125)
Increase (Decrease) in:		
Accounts payable	(200)	(136)
Payroll liabilities	(2,052)	(3,891)
Other Liabilities	3,736	20
Net cash provided by operating activities	25,160	29,203
Cash flows from investing activities:		
Additions to Cash Restricted by Donors	(3,351)	-
Purchases of property and equipment	(283)	(5,311)
Net cash used in investing activities	(3,634)	(5,311)
Cash flows from financing activities:	-	-
Net cash used in financing activities	-	-
Net increase in cash	\$ 21,526	\$ 23,892
Cash, beginning of year	191,055	263,014
Cash, end of year	\$ 212,581	\$ 286,906

The accompanying notes are an integral part of these financial statements

Wave Academy
Notes to Financial Statements
Year Ended December 31, 2019

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 grants from foundations and governmental entities.

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 income taxes. 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.

Prior Year Financial Statements: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018 from which the summarized information was derived. Certain prior year information may have been restated for purposes of overall comparability and consistency of presentation.

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.

Adoption of New Accounting Pronouncement

The Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Wave Academy
Notes to Financial Statements
Year Ended December 31, 2019

Note 2. Summary of Significant Accounting Policies (Cont.)

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.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. These generally result from revenues 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.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization had net assets with donor restrictions of \$95,851 at December 31, 2019.

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.

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

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 may be recorded in the financial statements. However, none was recorded for the current year. In addition, a number of volunteers have donated significant amounts of their time to the Organization during the year ending December 31, 2019. However, the value of those services is not reflected in the accompanying financial statements because the criteria for recognition have not been met.

Wave Academy
Notes to Financial Statements
Year Ended December 31, 2019

Note 2. Summary of Significant Accounting Policies (Cont.)

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, 2019.

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.

Revenue Recognition

Program Income is recognized as revenue when received. Revenue from programs is recognized in the period the program is held. Revenues collected in advance are deferred until earned.

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.

Compensated Absences

Compensated absences for paid vacation and personal time off have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

Date of Managements Review: The management has evaluated subsequent events through April 20, 2020, 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, 2019 consist of computers and office furniture. The total purchases costs were \$9,243. Depreciation expense of \$4,532 has been recorded for the year ended December 31, 2019.

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.

Wave Academy
Notes to Financial Statements
Year Ended December 31, 2019

Note 5. Liquidity and Availability of Financial Assets

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

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. The Organization's policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's unrestricted cash balances of \$212,581 are available for general purposes.

Note 6. Office Rent Commitments

Effective September, 2019, the Organization committed for month-to-month rental of office facilities. The office rent was \$1,150 per month at the former location and \$923 per month beginning September 2019 at the present location of 4699 Murphy Canyon Rd, San Diego, California. Rent expense totaled \$11,969 for the year ended December 31, 2019.

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, 2019, the Organization's has no uninsured cash balances.

Note 8. Net Assets with Donor Restrictions

Temporarily restricted net assets at December 31, 2019 are restricted as follows:

	Dec 31 2018	Additions	Released	Dec 31 2019
Warm Water Therapy	\$ 99,202	\$ 124,000	\$ (127,351)	\$ 95,851
City of San Diego - CDBG	-	59,517	(59,517)	-
Total	<u>\$ 99,202</u>	<u>\$ 183,517</u>	<u>\$ (186,868)</u>	<u>\$ 95,851</u>