



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

**Wave Academy**  
**dba Healing Wave Aquatics**  
Audited Financial Statements  
Year Ended December 31, 2020

Contents	<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 - 10



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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), dba Healing Wave Aquatics, which comprise the statement of financial position as of December 31, 2020, 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 U.S. generally accepted accounting principles; 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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 19, 2021

  
Sonnenberg & Company, CPAs

**Wave Academy**  
**Statements of Financial Position**  
**December 31, 2020**  
**(With Comparative Totals for December 31, 2019)**

	2020	2019
<b>ASSETS</b>		
Cash - Not Restricted by Donors	\$ 268,105	\$ 212,581
Cash - Restricted by Donors	42,562	99,202
Grants Receivable	-	14,206
Prepaid Expenses	25,049	16,654
Deposits	450	450
Property & Equipment	9,243	9,243
Accumulated Depreciation	(9,243)	(9,243)
Property & Equipment, Net	-	-
<b>TOTAL ASSETS</b>	<b>\$ 336,166</b>	<b>\$ 343,093</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,225	\$ -
Payroll Taxes Payable	183	4,934
Accrued Vacation Pay	2,599	4,386
<b>TOTAL LIABILITIES</b>	4,007	9,320
 <b>NET ASSETS</b>		
Without Donor Restrictions	289,597	237,922
With Donor Restrictions	42,562	95,851
<b>TOTAL NET ASSETS</b>	332,159	333,773
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 336,166</b>	<b>\$ 343,093</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**Wave Academy**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**  
**(With Summarized Comparative Totals for December 31, 2019)**

	<u>Not Restricted</u> <u>by Donors</u>	<u>Restricted</u> <u>by Donors</u>	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions - Foundations	\$ -	\$ 56,970	\$ 56,970	\$ 175,160
Contributions - Govt Grants-CDBG	-	25,538	25,538	59,517
Contributions - Govt Grant-PPP	-	36,770	36,770	-
Contributions - Corporate	6,500		6,500	3,950
Contributions - Individuals	174,358	5,000	179,358	124,008
Fundraising and Special Events	-		-	44,233
Program Co-Pay	970		970	5,990
Miscellaneous	204		204	95
Interest Income	656		656	455
Net Assets Released from Restrictions	<u>177,567</u>	<u>(177,567)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>360,255</u>	<u>(53,289)</u>	<u>306,966</u>	<u>413,408</u>
<b>EXPENSES</b>				
Program Services	198,136		198,136	274,950
Supporting Activities				
Management and General	58,519		58,519	55,160
Fund-raising	<u>51,925</u>		<u>51,925</u>	<u>60,392</u>
<b>TOTAL EXPENSES</b>	<u>308,580</u>	<u>-</u>	<u>308,580</u>	<u>390,502</u>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 51,675</b>	<b>\$ (53,289)</b>	<b>\$ (1,614)</b>	<b>22,906</b>
Net Assets at Beginning of Year	<u>\$ 237,922</u>	<u>\$ 95,851</u>	<u>\$ 333,773</u>	<u>310,867</u>
Net Assets at End of Year	<u><u>\$ 289,597</u></u>	<u><u>\$ 42,562</u></u>	<u><u>\$ 332,159</u></u>	<u><u>\$ 333,773</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, 2020**  
**(With Comparative Totals for December 31, 2019)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
<b>Personnel &amp; Related</b>					
Salaries	\$ 127,695	42,565	42,565	\$ 212,825	\$ 163,204
Employee benefits	5,621	1,874	1,874	9,368	-
Payroll Taxes	5,369	1,790	1,790	8,948	10,606
Staff Training	411	137	137	685	272
Accounting and Audit	2,198	2,198	1,099	5,496	12,077
Grant writing	-	-	-	-	6,163
Other Contract	4,320	1,440	1,440	7,200	7,129
Total Personnel & Related	<u>145,614</u>	<u>50,004</u>	<u>48,904</u>	<u>244,522</u>	<u>199,451</u>
<b>Operating expenses</b>					
Bank and Payoll Processing	1,463	488	488	2,438	1,159
Dues & Subscriptions	3,071	410	614	4,095	3,591
Marketing	3,117	416	623	4,156	7,494
Facilities - Office Rent	5,365	5,365	-	10,729	11,969
Facilities - Telephone	1,769	236	354	2,359	207
Special Events	(1,028)	-	(1,028)	(2,055)	18,981
Office Expenses	2,600	867	867	4,334	7,712
Insurance	1,959	261	392	2,612	18,578
Travel & Conferences	3,554	474	711	4,738	4,593
Program Expenses	30,652	-	-	30,652	112,235
Depreciation	-	-	-	-	4,532
Total Operating Expenses	<u>52,522</u>	<u>8,515</u>	<u>3,021</u>	<u>64,058</u>	<u>191,051</u>
Total Expenses - 2020	<u>\$ 198,136</u>	<u>\$ 58,519</u>	<u>\$ 51,925</u>	<u>\$ 308,580</u>	
Total Expenses - 2019	<u>\$ 274,950</u>	<u>\$ 55,160</u>	<u>\$ 60,392</u>		<u>\$ 390,502</u>

The accompanying notes are an integral part of these financial statements

**Wave Academy**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**  
**(With Summarized Comparative Totals for December 31, 2019)**

	<u>2020</u>		<u>2019</u>
Cash flows from operating activities:			
Change in net assets	\$ (1,614)	\$	22,906
Adjustments to reconcile change in net assets to net cash provided by or (used in) operating activities:			
Depreciation	-		4,532
(Increase) Decrease in:			
Accounts receivable	14,206		(4,400)
Prepaid expenses	(8,395)		(12)
Deposits	-		650
Increase (Decrease) in:			
Accounts payable	1,225		(200)
Payroll liabilities	(4,751)		(2,052)
Other Liabilities	(1,787)		3,736
Net cash provided (used) by operating activities	<u>(1,116)</u>		<u>25,160</u>
Cash flows from investing activities:			
Additions to Cash Restricted by Donors	56,640		(3,351)
Purchases of property and equipment	0		(283)
Net cash provided (used) in investing activities	<u>56,640</u>		<u>(3,634)</u>
Cash flows from financing activities:	<u>-</u>		<u>-</u>
Net cash used in financing activities	-		-
Net increase (decrease) in cash	\$ 55,524	\$	21,526
Unrestricted Cash, beginning of year	<u>212,581</u>		<u>191,055</u>
Unrestricted Cash, end of year	<u>\$ 268,105</u>	\$	<u>212,581</u>

The accompanying notes are an integral part of these financial statements

**Wave Academy**  
Notes to Financial Statements  
Year Ended December 31, 2020

**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.

The Organization has filed for a DBA in 2021 as Healing Wave Aquatics to better define its mission.

**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, 2019 from which the summarized information was derived. Certain prior year information may have been restated for purposes of overall comparability and consistency of presentation.

*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, 2020

**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 \$42,562 at December 31, 2020.

**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, 2020. 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, 2020

**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, 2020.

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.

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.

**Note 3. Property and Equipment**

Property and Equipment at December 31, 2020 consist of computers and office furniture. The total purchases costs were \$9,243. These fixed assets were fully depreciated as of 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, 2020

**Note 5. 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 FDIC up to \$250,000. At December 31, 2020, the Organization's has no uninsured cash balances.

**Note 6. 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 \$268,105 are available for general purposes.

**Note 7. Net Assets with Donor Restrictions**

Contributions restricted by donors net assets at December 31, 2020 consist of the following:

	Dec 31 2019	Additions	Released	Dec 31 2020
Warm Water Therapy	\$ 95,827	\$ 56,970	\$ (110,235)	\$ 42,562
Cushman Foundation		5,000	(5,000)	-
SBA - PPP Grant	-	36,770	(36,770)	-
City of San Diego - CDBG	-	25,538	(25,538)	-
Total	\$ 95,827	\$ 124,278	\$ (177,543)	\$ 42,562

**Note 8. Office Rent Commitments**

Effective in September, 2019, the Organization committed for a 3-year lease of office facilities at 4699 Murphy Canyon Rd, San Diego, California. The office rent was \$922.96 per month beginning October 1, 2019 through September 30, 2020, increasing to \$950.65 for October 2020 through September 2021 and \$979.79 through September 2022. Rent expense totaled \$10,729 for the year ended December 31, 2020. The future lease obligation at December 31, 2020 is as follows: Yearend December 2021 is \$11,408 and Year 2022 is \$2,938.

**Note 9. Management's Review**

Management has evaluated subsequent events through July 19, 2021, the date the financial statements were available to be issued.

**Wave Academy**  
Notes to Financial Statements  
Year Ended December 31, 2020

**Note 10.      Risks and Uncertainties:**

The spread of Coronavirus (COVID-19) during 2020 and 2021 has caused a substantial impact on the U.S. economy. There is significant uncertainty around the effects and duration of business interruption related to COVID-19. The extent of the impact on the Organization's operations, management, employees, vendors, and clients depend on certain developments, which cannot be determined at this time.

To help minimize the potential impact of the pandemic, the Organization obtained a forgivable loan in May 4, 2020 from the federal Paycheck Protection Program in the amount of \$36,770. The Organization satisfied all conditions for forgiveness of the loan, which has been recorded as contribution revenue in 2020.

Subsequently, the Organization obtained a second round of a PPA forgivable loan on February 2, 2021 from the federal Paycheck Protection Program in the amount of \$44,415. The Organization expects to satisfy all conditions for forgiveness of this second PPA loan.