



# 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, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**Wave Academy**  
**dba Healing Wave Aquatics**

### Opinion

We have audited the accompanying financial statements of Wave Academy dba Healing Waves Aquatics (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 Wave Academy dba Healing Waves Aquatics as of December 31, 2021, and the changes in 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. 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 Wave Academy dba Healing Waves Aquatics 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.

### Correction of Error

As discussed in Note 11 to the financial statements, certain errors resulting in understatement of amount previously reported for insurance expense and overstatement of amount previously reported for prepaid expenses as of December 31, 2020, were discovered by management of Wave Academy dba Healing Waves Aquatics during the current year. Accordingly, amounts reported for insurance expense and prepaid expenses have been restated in the 2020 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2020, to correct the error. Our opinion is not modified with respect to that matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Wave Academy dba Healing Waves Aquatics' 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 as a whole 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment 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 Wave Academy dba Healing Waves Aquatics' 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wave Academy dba Healing Waves Aquatics' 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.

**Report on Summarized Comparative Information**

We have previously audited Wave Academy dba Healing Waves Aquatics' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 7, 2022

Sonnenberg & Company, CPAs

**Wave Academy**  
**dba Healing Wave Aquatics**  
**Statements of Financial Position**  
**December 31, 2021**  
(With Comparative Information for December 31, 2020)

	2021	Restated 2020
<b>ASSETS</b>		
Cash	\$ 293,613	\$ 310,667
Contributions Receivable	41,000	-
Prepaid Expenses	12,251	12,620
Deposits	6,110	450
Cash Restricted to Building Project	221,815	-
Furniture and Equipment	9,243	9,243
Leasehold Improvements	412,750	-
Accumulated Depreciation	(9,243)	(9,243)
Property & Equipment, Net	412,750	-
<b>TOTAL ASSETS</b>	<b>\$ 987,539</b>	<b>\$ 323,737</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 58,525	\$ 1,225
Payroll Taxes Payable	-	183
Accrued Vacation	9,024	2,599
<b>TOTAL LIABILITIES</b>	67,549	4,007
 <b>NET ASSETS</b>		
Without Donor Restrictions	574,789	277,168
With Donor Restrictions	345,201	42,562
<b>TOTAL NET ASSETS</b>	919,990	319,730
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 987,539</b>	<b>\$ 323,737</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**Wave Academy**  
**dba Healing Wave Aquatics**  
Statement of Activities  
For the Year Ended December 31, 2021  
(With Summarized Comparative Information for December 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>Restated 2020 Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions - Foundations	\$	\$ 144,800	\$ 144,800	\$ 56,970
Contributions - Government		15,000	15,000	25,538
Contributions - Corporate	15,000		15,000	6,500
Contributions - Individuals	45,680		45,680	179,358
Contributions - Capital Campaign		709,618	709,618	-
Payroll Protection Program Grant		44,415	44,415	36,770
Miscellaneous	100		100	1,174
Interest Income	31		31	656
Net Assets Released from Restrictions	611,194	(611,194)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>672,005</u>	<u>302,639</u>	<u>974,644</u>	<u>306,966</u>
<b>EXPENSES</b>				
Program Services	256,196		256,196	207,458
Supporting Activities				
Management and General	62,043		62,043	59,762
Fund-raising	56,145		56,145	53,789
<b>TOTAL EXPENSES</b>	<u>374,384</u>	<u>-</u>	<u>374,384</u>	<u>321,009</u>
<b>CHANGE IN NET ASSETS</b>	\$ 297,621	\$ 302,639	\$ 600,260	\$ (14,043)
Beginning Net Assets, as Previously Reported	289,597	42,562	332,159	333,773
Adjustment for Insurance	(12,429)	-	(12,429)	-
Restated Beginning Net Assets	<u>277,168</u>	<u>42,562</u>	<u>319,730</u>	<u>333,773</u>
Net Assets at End of Year	<u>\$ 574,789</u>	<u>\$ 345,201</u>	<u>\$ 919,990</u>	<u>\$ 319,730</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**Wave Academy**  
**dba Healing Wave Aquatics**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**  
**(With Comparative Information for December 31, 2020)**

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fund</u> <u>Raising</u>	<u>2021</u> <u>Totals</u>	<u>Restated</u> <u>2020</u> <u>Totals</u>
<b>Personnel and Related</b>					
Salaries	\$ 124,249	\$ 41,416	\$ 41,416	\$ 207,082	\$ 212,825
Employee benefits	6,283	2,094	2,094	10,472	9,368
Payroll Taxes	9,010	3,003	3,003	15,017	8,948
Staff Training	152	51	51	254	685
Total Personnel and Related	<u>139,695</u>	<u>46,565</u>	<u>46,565</u>	<u>232,825</u>	<u>231,826</u>
<b>Operating Expenses</b>					
Accounting and Audit	3,745	3,745	1,872	9,362	5,496
Contract Services	3,740	1,247	1,247	6,233	7,200
Bank and Payroll Processing	1,315	438	438	2,192	2,438
Dues & Subscriptions	5,447	726	1,089	7,262	4,095
Marketing	4,629	617	926	6,172	4,156
Rent	29,575	5,704		35,279	10,729
Telephone	1,887	252	377	2,516	2,359
Special Events				-	(2,055)
Office Expenses	2,957	986	986	4,928	4,334
Insurance	11,243	1,499	2,249	14,990	15,041
Travel and Conferences	1,982	264	396	2,642	4,738
Aquatic Therapy	46,675			46,675	29,650
Other Program Expenses	3,308			3,308	1,002
Total Operating Expenses	<u>116,501</u>	<u>15,478</u>	<u>9,580</u>	<u>141,559</u>	<u>89,183</u>
Total Expenses - 2021	<u>\$ 256,196</u>	<u>\$ 62,043</u>	<u>\$ 56,145</u>	<u>\$ 374,384</u>	
Total Expenses - 2020	<u>\$ 207,458</u>	<u>\$ 59,762</u>	<u>\$ 53,789</u>		<u>\$ 321,009</u>

The accompanying notes are an integral part of these financial statements

**Wave Academy**  
**dba Healing Wave Aquatics**  
Statement of Cash Flows  
For the Year Ended December 31, 2021  
(With Summarized Comparative Information for December 31, 2020)

	2021	Restated 2020
Cash flows from operating activities:		
Change in net assets	\$ 600,260	\$ (14,043)
(Increase) Decrease in:		
Contributions Receivable	(41,000)	14,206
Prepaid Expenses	369	4,034
Deposits	(5,660)	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	57,300	1,225
Payroll Taxes Payable	(183)	(4,751)
Accrued Vacation	6,425	(1,787)
Net cash provided (used) by operating activities	617,511	(1,116)
Cash flows from investing activities:		
Leasehold Improvements	(412,750)	-
Net cash provided (used) in investing activities	(412,750)	-
Net Change in Cash and Restricted Cash	\$ 204,761	\$ (1,116)
Cash and Restricted Cash, beginning of year	310,667	311,783
Cash and Restricted Cash, end of year	\$ 515,428	\$ 310,667

The accompanying notes are an integral part of these financial statements



**Wave Academy**  
**dba Healing Wave Aquatics**  
Notes to Financial Statements  
Year Ended December 31, 2021

**Note 1.        Organization**

Wave Academy dba Healing Wave Aquatics (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 of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

*Comparative Financial Information:* The comparative information from the previous year is included to provide a basis for comparison and presents summarized totals only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America and should be read in conjunction with Organization's financial statements for the year ended December 31, 2020 from which the summarized information was derived. Certain reclassifications have been made to the December 31, 2020 financial statements presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to the reclassifications.

*Relevant Upcoming New Accounting Pronouncements:* In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its balance sheet for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2021. The Organization is currently in the process of determining the impact this standard will have on its financial statements.

**Wave Academy**  
**dba Healing Wave Aquatics**  
Notes to Financial Statements  
Year Ended December 31, 2021

**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.

*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 \$345,201 at December 31, 2021.

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. The Organization did not have any cash equivalents as of December 31, 2021. Cash and restricted cash as shown on the statements of cash flows consist of the following:

Cash	\$ 293,613
Cash Restricted to Building Project	<u>221,815</u>
	<u><u>\$ 515,428</u></u>

Contributions Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and review of subsequent collections. Promises to give are written off when deemed uncollectable. Promises to give as of December 31, 2021 were collected in full after the year end; therefore, no allowance for uncollectable accounts has been recorded.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. Depreciation is computed using the straight-line method over the useful lives of the assets, which are seven years for furniture and five years for equipment. Leasehold improvements are depreciated over the life of the lease.

**Wave Academy**  
**dba Healing Wave Aquatics**  
Notes to Financial Statements  
Year Ended December 31, 2021

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

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, 2021. However, the value of those services is not reflected in the accompanying financial statements because the criteria for recognition have not been met.

Contributed Goods: Contributed goods are recognized in the financial statements at fair value. No contributed goods have been received during the year ended December 31, 2021.

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 revenue is recognized when the programs are delivered. Revenues collected in advance are deferred until earned.

Contributions are recognized when cash, other assets, or an unconditional promise to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses: The costs of providing various services and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and benefits, payroll taxes, dues and subscriptions, depreciation, insurance, office expenses rent and utilities, and others which are allocated on the basis of estimates of time and effort.

Advertising Expenses: Advertising costs are expensed as incurred.

Compensated Absences: Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. Accrued vacation liability is \$9,024 as of December 31, 2021.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates under different assumptions or conditions.

**Wave Academy**  
**dba Healing Wave Aquatics**  
Notes to Financial Statements  
Year Ended December 31, 2021

**Note 3. Property and Equipment**

Property and equipment at December 31, 2021 consist of computers and office furniture which is fully depreciated as of December 31, 2021. Leasehold improvements include new showers and restroom, new conference room and office, and new pool therapy room at leased facility at 2657 Ariane Drive (Note 8). Construction is in progress as of December 31, 2021; therefore, no depreciation expense has been recorded.

**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. 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. As of December 31, 2021, the uninsured balance was \$269,623. The Organization has not experienced any losses in such accounts and management does not believe it is exposed to significant credit risk on its accounts.

For the year ended December 31, 2021, approximately 77% or \$749,800 of the Organization's contribution revenue were from four donors.

**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, comprise the following:

Cash	\$ 293,613
Less Donor-restricted for specified purpose	<u>(140,911)</u>
Financial assets available to meet general expenditures within one year	\$ <u><u>152,702</u></u>

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. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Wave Academy**  
**dba Healing Wave Aquatics**  
Notes to Financial Statements  
Year Ended December 31, 2021

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

Net assets with donor restrictions at December 31, 2021 consist of the following:

	<u>Dec 31</u> <u>2020</u>	<u>Additions</u>	<u>Released</u>	<u>Dec 31</u> <u>2021</u>
Subject to expenditures for specified purpose:				
Water Therapy for Veterans	\$ 42,562	\$ 144,800	\$ (47,000)	\$ 140,362
Capital Campaign	-	709,618	(505,328)	204,290
Payroll Protection Program Grant	-	44,415	(44,415)	-
Covid 19 Grant	-	15,000	(14,451)	549
Total	<u>\$ 42,562</u>	<u>\$ 913,833</u>	<u>\$ (611,194)</u>	<u>\$ 345,201</u>

**Note 8. Operating Leases**

Effective September 2019, the Organization committed for a 3-year lease of office facility at 4699 Murphy Canyon Road, San Diego, California. The rent is adjusted each year to reflect the increase in the cost of living. Total rent for 2021 was \$11,408.

Effective January 2021, the Organization committed for a five-year and five-month lease of aquatic therapy facility at 2657 Ariane Drive, San Diego, California. The lease has one option to extend the term of the lease for additional five years. The rent is adjusted each year to reflect the increase in the cost of living. During the year ended December 31, 2021, the lessor abated seven months of rent payments. Total rent for 2021 was \$23,871.

The future lease obligations at December 31, 2021 are as follows:

Year Ending December 31,	Office	Aquatic Facility
2022	\$ 8,815	\$ 60,348
2023		62,158
2024		64,023
2025		65,944
2026		33,961
	<u>\$ 8,815</u>	<u>\$ 286,433</u>

**Note 9. Capital Campaign and Commitments**

During the year ended December 31, 2021, the Organization launched a capital campaign to renovate leased building for an aquatic therapy facility.

**Wave Academy**  
**dba Healing Wave Aquatics**  
Notes to Financial Statements  
Year Ended December 31, 2021

**Note 9.        Capital Campaign and Commitments (Cont.)**

Changes in the capital campaign fund for the year ended December 31, 2021 are as follows:

Balance at beginning of year	\$	-
Contributions		709,618
Expenditures for renovation		<u>(505,328)</u>
Balance at year end	\$	<u>204,290</u>

Expenditures for renovation include consultants fees, permits, and construction expenses which had been capitalized as leasehold improvements. Expenditures for renovation also include staff compensation and rent expenses which were not capitalized as leasehold improvements.

During the year ended December 31, 2021, the Organization entered into several contracts for construction services, pool installation, and architectural services in relation to the renovation of the leased building for an estimated total of \$775,498. At year end the Organization had commitments on construction contracts that were not completed totaling \$400,963.

**Note 10.        Paycheck Protection Program**

In February 2021, the Organization entered into term note (“PPP Term Note”) with Wells Fargo Bank, with a principal amount of \$44,415 pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all, or a portion of the loan granted under PPP. Such forgiveness is determined based on the use of the loan proceeds for eligible purposes, including payroll costs, rent and utilities, and the maintenance of workforce and compensation levels with certain limitations.

In December 2021, the Organization was notified that it had met the criteria for forgiveness and the total loan of \$44,415 is recorded as revenue for the year ended December 31, 2021.

**Note 11.        Correction of Error**

During the year ended December 31, 2021 the Organization determined that insurance expenses were understated and prepaid expenses were overstated for 2020. Accordingly, the Organization restated its financial statements for the year ended December 31, 2020. The effect of the restatement was to decrease net assets at January 1, 2021 by \$12,429.

**Wave Academy**  
**dba Healing Wave Aquatics**  
Notes to Financial Statements  
Year Ended December 31, 2021

**Note 12.      Management's Review and Subsequent Events**

Management has evaluated subsequent events through October 7, 2022, the date the financial statements were available to be issued.

Subsequent to the year end, the renovation of the leased building at 2657 Ariane Drive had been completed with total cost of \$995,461.

Management is not aware of any other subsequent events that would require adjustment to, or disclosure in, the financial statements.