



Sonnenberg & Company, CPAs

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Leonard C. Sonnenberg, CPA

Wave Academy
dba Healing Wave Aquatics
Audited Financial Statements
Year Ended December 31, 2022

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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, 2022, 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, 2022, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, Wave Academy dba Healing Waves Aquatics adopted FASB ASC 842, Leases. Our conclusion is not modified with respect to this 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' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



September 8, 2023

Sonnenberg & Company, CPAs

Wave Academy
dba Healing Wave Aquatics
Statements of Financial Position
December 31, 2022
(With Comparative Information for December 31, 2021)

	2022	Restated 2021
ASSETS		
Cash	\$ 227,612	\$ 293,613
Contributions Receivable	-	41,000
Prepaid Expenses	4,355	12,251
Deposits	5,610	6,110
Cash Restricted to Building Project	6,937	221,815
Furniture and Equipment	17,320	9,243
Leasehold Improvements	928,350	412,750
Less: Accumulated Depreciation and Amortization	(69,804)	(9,243)
Right-of-Use Asset, net - Operating Lease	541,985	-
TOTAL ASSETS	\$ 1,662,365	\$ 987,539
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 4,890	\$ 58,525
Accrued Vacation	7,783	9,024
Operating Lease Liability	554,661	-
TOTAL LIABILITIES	567,334	67,549
 NET ASSETS		
Without Donor Restrictions	982,494	677,510
With Donor Restrictions	112,537	242,480
TOTAL NET ASSETS	1,095,031	919,990
TOTAL LIABILITIES AND NET ASSETS	\$ 1,662,365	\$ 987,539

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, 2022
(With Summarized Comparative Information for December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
SUPPORT AND REVENUE				
Contributions - Foundations	\$ 12,266	\$ 180,000	\$ 192,266	\$ 144,800
Contributions - Government			-	15,000
Contributions - Corporate	10,000		10,000	15,000
Contributions - Individuals	120,915		120,915	45,680
Contributions - Capital Campaign		491,382	491,382	709,618
Payroll Protection Program Grant			-	44,415
Pool Fees	4,750		4,750	-
Miscellaneous	408		408	100
Interest	197		197	31
Net Assets Released from Restrictions	<u>801,325</u>	<u>(801,325)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>949,861</u>	<u>(129,943)</u>	<u>819,918</u>	<u>974,644</u>
EXPENSES				
Program Services	429,382		429,382	256,196
Supporting Services				
Management and General	125,791		125,791	62,043
Fund-raising	<u>89,704</u>		<u>89,704</u>	<u>56,145</u>
TOTAL EXPENSES	<u>644,877</u>	<u>-</u>	<u>644,877</u>	<u>374,384</u>
CHANGE IN NET ASSETS	\$ 304,984	\$ (129,943)	\$ 175,041	\$ 600,260
Beginning Net Assets - Restated	<u>677,510</u>	<u>242,480</u>	<u>919,990</u>	<u>319,730</u>
Ending Net Assets	<u>\$ 982,494</u>	<u>\$ 112,537</u>	<u>\$ 1,095,031</u>	<u>\$ 919,990</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, 2022
(With Summarized Comparative Information for December 31, 2021)

	Program Services	Management and General	Fund Raising	2022 Totals	2021 Totals
Personnel and Related					
Salaries	\$ 178,318	\$ 53,760	\$ 47,787	\$ 279,865	\$ 207,082
Employee Benefits	6,627	1,967	1,760	10,354	10,472
Payroll Taxes	14,323	4,252	3,805	22,380	15,017
Staff Training	728	216	193	1,138	254
Total Personnel and Related	<u>199,996</u>	<u>60,195</u>	<u>53,546</u>	<u>313,737</u>	<u>232,825</u>
Operating Expenses					
Accounting and Audit		7,825		7,825	9,362
Aquatic Therapy	60,117			60,117	46,675
Bank and Payroll Processing	1,021	303	271	1,595	2,192
Contract Services	1,633	485	434	2,552	6,233
Depreciation and Amortization	38,759	11,507	10,295	60,561	-
Dues and Subscriptions	5,826	1,730	1,548	9,103	7,262
Equipment	9,383			9,383	670
Insurance		17,359		17,359	14,990
Internet and Telephone	1,998	593	531	3,122	2,516
Janitorial	2,964			2,964	-
Marketing and Advertisement	22,469	6,671	5,968	35,108	6,172
Office Expenses	7,535	2,237	2,001	11,773	4,258
Pool Maintenance	3,500			3,500	-
Pool Rental	1,890			1,890	3,308
Pool Supplies	4,371			4,371	-
Rent	47,076	13,976	12,505	73,556	35,279
Repairs and Maintenance	902			902	-
Special Event	10,135			10,135	-
Travel and Conferences	1,558	463	414	2,435	2,642
Utilities	8,249	2,449	2,191	12,889	-
Total Operating Expenses	<u>229,386</u>	<u>65,596</u>	<u>36,158</u>	<u>331,140</u>	<u>141,559</u>
Total Expenses - 2022	<u>\$ 429,382</u>	<u>\$ 125,791</u>	<u>\$ 89,704</u>	<u>\$ 644,877</u>	
Total Expenses - 2021	<u>\$ 256,196</u>	<u>\$ 62,043</u>	<u>\$ 56,145</u>		<u>\$ 374,384</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, 2022
(With Comparative Information for December 31, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 175,041	\$ 600,260
Adjustments to reconcile change in net assets to net cash provided by or (used in) operating activities:		
Depreciation and Amortization	60,561	-
Noncash Portion of Lease Expense	59,035	-
Repayments of Lease Liability	(46,359)	-
(Increase) Decrease in:		
Contributions Receivable	41,000	(41,000)
Prepaid Expenses	7,896	369
Deposits	500	(5,660)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(53,635)	57,300
Payroll Taxes Payable	-	(183)
Accrued Vacation	(1,241)	6,425
Net cash provided by operating activities	242,798	617,511
Cash flows from investing activities:		
Leasehold Improvements	(515,600)	(412,750)
Purchases of property and equipment	(8,077)	-
Net cash used in investing activities	(523,677)	(412,750)
Net Change in Cash and Restricted Cash	\$ (280,879)	\$ 204,761
Cash and Restricted Cash, beginning of year	515,428	310,667
Cash and Restricted Cash, end of year	\$ 234,549	\$ 515,428

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, 2022

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 is supported primarily by grants and contributions.

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.

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 \$112,537 at December 31, 2022.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash and other highly liquid investments with an original maturity of three months or less when purchased. The Organization had no cash equivalents as of December 31, 2022. Cash and restricted cash as shown on the statements of cash flows consist of the following:

Cash	\$ 227,612
Cash Restricted to Building Project	6,937
	<u>\$ 234,549</u>

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2022

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

Income Tax Status: The Organization is organized as California nonprofit corporations and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Organization has determined that it is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization follows the provisions for accounting for uncertain tax positions. The Organization evaluates its tax positions to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold are recorded as an expense in the applicable year. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended December 31, 2022.

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.

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. Improvements to leased property are amortized using the straight-line method over the lesser of the remaining term of the lease or the estimated useful lives of the improvements.

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, 2022. 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, 2022.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2022

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

Compensated Absences: Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. Accrued vacation liability is \$7,783 as of December 31, 2022.

Advertising Expenses: Advertising costs are expensed as incurred.

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.

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.

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, 2021 from which the summarized information was derived. Certain reclassifications have been made to the December 31, 2021 financial statements presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to the reclassifications.

Adoption of New Lease Standard: In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, Leases (Topic 842). The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022 was necessary for the cumulative impact of adoption of FASB ASC 842.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2022

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

Adoption of New Lease Standard (continued): The most significant effects of adopting FASB ASC 842 was the recognition of \$601,020 of operating lease ROU assets and a total of \$601,020 of lease liabilities on the balance sheet as of January 1, 2022. No cumulative effect adjustment to net assets as of January 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022.

For leases existing at the transition date, the Organization applied the package of three transition practical expedients and therefore did not reassess whether any existing arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Moreover, in accordance with the expedients, all leases classified as operating leases under previous U.S. GAAP are automatically classified as operating leases under the new standard, and all leases previously classified as capital leases are recorded as finance leases.

Other practical expedients included election not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than one month. Leases of one month or less are not included in short-term lease costs.

Leases: The Organization accounts for leases in accordance with FASB ASC 842. The Organization determines if an arrangement conveys the right to use an identified asset and whether The Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes lease liability and ROU asset at the commencement date of the lease. Beginning January 1, 2022, operating lease ROU assets and related operating lease liabilities have been presented in the balance sheet.

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization uses the U.S. Treasury rate. The implicit rates of the Organization's leases are not readily determinable; accordingly, the Organization uses the U.S. Treasury rate based on the information available at the commencement date for each lease. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised.

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Wave Academy
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Notes to Financial Statements
Year Ended December 31, 2022

Note 3. Property and Equipment

Property and equipment at December 31, 2022 consist of computers and office furniture. Leasehold improvements include new showers and restroom, new conference room and office, and new pool therapy room at leased facility (Note 8).

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. 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, 2022, approximately 63% or \$515,000 of the Organization's contribution revenue were from four donors.

Note 6. Liquidity and Availability of Financial Assets

The Organization has \$227,612 of financial assets available for general expenditure within one year of the statement of financial position date consisting of cash.

At December 31, 2022, the Organization reported \$105,600 as net assets with donor restrictions for water therapy. However, these funds are available for general expenditures within one year of December 31, 2022, because the restrictions on the net assets are expected to be met by conducting the normal activities of the Organization's programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet 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
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Notes to Financial Statements
Year Ended December 31, 2022

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 consist of the following:

	Restated Dec 31 2021	Additions	Released	Dec 31 2022
Subject to expenditures for specified purpose:				
Water Therapy for Veterans	\$ 100,000	\$ 125,000	\$ (119,400)	\$ 105,600
Capital Campaign	141,931	491,382	(626,376)	6,937
Support New Facility	-	55,000	(55,000)	-
Covid 19 Grant	549	-	(549)	-
Total	<u>\$ 242,480</u>	<u>\$ 671,382</u>	<u>\$ (801,325)</u>	<u>\$ 112,537</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. The lease was terminated in May 2022. Total lease expense was \$4,753 for the year ended December 31, 2022.

In January 2021, the Organization entered into a lease for its office and aquatic therapy facility at 2657 Ariane Drive, San Diego, California. This lease is classified as operating lease and has an original term of 5 years and 5 months. The lease has one option to extend the term of the lease for an additional 5 years which is reasonably certain of exercise. Payments under the lease arrangement are adjusted each year to reflect the increase in the cost of living. During the year ended December 31, 2022, the lessor abated \$4,221 of rent payments. Lease expense was \$68,803 for the year ended December 31, 2022.

Lease liability maturities as of December 31, 2022, are as follows:

2023	\$ 62,158
2024	64,023
2025	65,944
2026	68,941
2027	71,010
2028	73,140
2029	75,330
2030	77,586
2031	<u>39,366</u>
Total Lease Payments	597,498
Less: Present Value Adjustment	<u>(42,837)</u>
Present Value of Lease Liability	<u>\$ 554,661</u>

Wave Academy
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Notes to Financial Statements
Year Ended December 31, 2022

Note 8. Operating Leases (Cont.)

The remaining lease term, including option to extend, and discount rate related to lease liability as of December 31, 2022 were 8.5 years and 1.63%.

Note 9. Capital Campaign

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

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. The renovation was completed during the year ended December 31, 2022 with a total cost of \$1,194,063.

Note 10. Restatement of Net Assets

During the year ended December 31, 2022, The Organization determined that restricted net assets were incorrectly reported as of December 31, 2021. Accordingly, The Organization restated \$102,721 of net assets with donor restrictions as net assets without donor restrictions at January 1, 2022. The restatement has no effect on the Organization's net income and total net assets.

Note 11. Management's Review and Subsequent Events

Management evaluated subsequent events through September 8, 2023, the date on which the financial statements were available to be issued. Management is not aware of any other subsequent events that would require adjustment to, or disclosure in, the financial statements.