



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

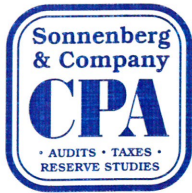
Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

Wave Academy
dba Healing Wave Aquatics
Audited Financial Statements
Year Ended December 31, 2023

Contents	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 12



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

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, 2023, 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, 2023, 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.

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' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



September 6, 2024

Sonnenberg & Company, CPAs

Wave Academy
dba Healing Wave Aquatics
Statements of Financial Position
December 31, 2023
(With Comparative Information for December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 321,019	\$ 227,612
Prepaid Expenses	4,344	4,355
Deposits	5,610	5,610
Cash Restricted to Building Project	291	6,937
Furniture and Equipment	17,320	17,320
Leasehold Improvements	935,145	928,350
Less: Accumulated Depreciation and Amortization	(139,550)	(69,804)
Right-of-Use Asset, net - Operating Lease	<u>477,752</u>	<u>541,985</u>
TOTAL ASSETS	\$ <u><u>1,621,931</u></u>	\$ <u><u>1,662,365</u></u>
 LIABILITIES AND NET ASSETS		
 LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 4,000	\$ 4,890
Accrued Vacation	5,455	7,783
Operating Lease Liability	<u>501,413</u>	<u>554,661</u>
TOTAL LIABILITIES	510,868	567,334
 NET ASSETS		
Without Donor Restrictions	1,110,772	982,494
With Donor Restrictions	<u>291</u>	<u>112,537</u>
TOTAL NET ASSETS	<u><u>1,111,063</u></u>	<u><u>1,095,031</u></u>
 TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>1,621,931</u></u>	\$ <u><u>1,662,365</u></u>

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, 2023
(With Summarized Comparative Information for December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
SUPPORT AND REVENUE				
Contributions - Foundations	\$ 237,000	\$ 60,000	\$ 297,000	\$ 192,266
Contributions - Corporate	10,000		10,000	10,000
Contributions - Individuals	237,599		237,599	120,915
Contributions - Capital Campaign			-	491,382
Gross Special Event Revenue	39,931		39,931	-
Less Cost of Direct Benefits to Donors	(6,971)		(6,971)	-
Net Special Event Revenue	32,960	-	32,960	-
Contributed Nonfinancial Assets	3,913		3,913	-
Pool Fees	12,174		12,174	4,750
Miscellaneous	470		470	408
Interest	421		421	197
Net Assets Released from Restrictions	172,246	(172,246)	-	-
TOTAL SUPPORT AND REVENUE	706,783	(112,246)	594,537	819,918
EXPENSES				
Program Services	409,862		409,862	429,382
Supporting Services				
Management and General	110,821		110,821	125,791
Fund-raising	57,822		57,822	89,704
TOTAL EXPENSES	578,505	-	578,505	644,877
CHANGE IN NET ASSETS	\$ 128,278	\$ (112,246)	\$ 16,032	\$ 175,041
Beginning Net Assets - Restated	982,494	112,537	1,095,031	919,990
Ending Net Assets	<u>\$ 1,110,772</u>	<u>\$ 291</u>	<u>\$ 1,111,063</u>	<u>\$ 1,095,031</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, 2023
(With Summarized Comparative Information for December 31, 2022)

	Program Services	Management and General	Fund Raising	2023 Totals	2022 Totals
Personnel and Related					
Salaries	\$ 166,907	\$ 42,423	\$ 19,716	\$ 229,045	\$ 279,865
Employee Benefits	2,600	1,560	1,040	5,200	10,354
Payroll Taxes	13,917	3,622	1,525	19,064	22,380
Staff Training	475	124	52	650	1,138
Total Personnel and Related	183,898	47,728	22,333	253,959	313,737
Operating Expenses					
Accounting and Audit		9,263		9,263	7,825
Aquatic Therapy	43,677			43,677	60,117
Bank and Payroll Processing	1,283	334	141	1,757	1,595
Contract Services	16,877	7,845	19,559	44,281	2,552
Depreciation and Amortization	50,915	13,252	5,580	69,746	60,561
Dues and Subscriptions	7,210	1,877	790	9,877	9,103
Equipment				-	9,383
Insurance		8,151		8,151	17,359
Internet and Telephone	2,354	613	258	3,225	3,122
Janitorial	5,263			5,263	2,964
Marketing and Advertisement	9,880	2,571	1,083	13,534	35,108
Office Expenses	4,229	1,101	463	5,793	11,773
Pool Maintenance	11,331			11,331	3,500
Pool Rental				-	1,890
Pool Supplies	2,442			2,442	4,371
Operating Lease	46,322	12,056	5,076	63,455	73,556
Repairs and Maintenance	1,013			1,013	902
Special Event			6,971	6,971	10,135
Travel and Conferences	2,521	656	276	3,453	2,435
Utilities	20,648	5,374	2,263	28,285	12,889
Total Operating Expenses	225,964	63,092	42,460	331,517	331,140
Total Expenses by Function	\$ 409,862	\$ 110,821	\$ 64,793	\$ 585,476	\$ 644,877
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors			(6,971)	(6,971)	-
Total Expenses Included in Expense Section on the Statement of Activities	\$ 409,862	\$ 110,821	\$ 57,822	\$ 578,505	\$ 644,877

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, 2023
(With Comparative Information for December 31, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 16,032	\$ 175,041
Adjustments to reconcile change in net assets to net cash provided by or (used in) operating activities:		
Depreciation and Amortization	69,746	60,561
Right of Use Asset Amortization	64,233	59,035
(Increase) Decrease in:		
Contributions Receivable	-	41,000
Prepaid Expenses	11	7,896
Deposits	-	500
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(890)	(53,635)
Accrued Vacation	(2,328)	(1,241)
Operating Lease Liability	(53,248)	(46,359)
Net cash provided by operating activities	<u>93,556</u>	<u>242,798</u>
Cash flows from investing activities:		
Leasehold Improvements	(6,795)	(515,600)
Purchases of property and equipment	-	(8,077)
Net cash used in investing activities	<u>(6,795)</u>	<u>(523,677)</u>
Net Change in Cash and Restricted Cash	\$ 86,761	\$ (280,879)
Cash and Restricted Cash, beginning of year	<u>234,549</u>	<u>515,428</u>
Cash and Restricted Cash, end of year	<u><u>\$ 321,310</u></u>	<u><u>\$ 234,549</u></u>

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, 2023

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 primary purposes of the Organization is to support individual wellness and management of complex stress through aquatic therapy. The specific purpose is to conduct a primary program for veterans and active duty military with Post-Traumatic Stress.

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 \$291 at December 31, 2023.

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, 2023. Cash and restricted cash as shown on the statements of cash flows consist of the following:

Cash	\$ 321,019
Cash Restricted to Building Project	291
	<u>\$ 321,310</u>

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2023

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, 2023.

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 Nonfinancial Assets: The estimated fair value of contributed nonfinancial assets is recorded in the financial statements. The donated goods are recorded at fair value at the date of donation. Contributed services are recognized as contributions when services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization presents contributed nonfinancial assets in accordance with Accounting Standards Update 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2023

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 \$5,455 as of December 31, 2023.

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, 2022 from which the summarized information was derived. Certain reclassifications have been made to the December 31, 2022 financial statements presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to the reclassifications.

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. The Organization elected not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2023

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

Leases (continued): 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.

Note 3. Property and Equipment

Property and equipment at December 31, 2023 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

The Organization maintains its cash in bank accounts at one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2023, the uninsured balance was \$80,459. 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, 2023, approximately 75% or \$448,000 of the Organization's contribution revenue were from four donors.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2023

Note 6. Liquidity and Availability of Financial Assets

The Organization has \$321,019 of financial assets available for general expenditure within one year of the statement of financial position date consisting of cash.

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.

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2023 consist of the following:

	Jan 1, 2023	Additions	Released	Dec 31 2023
Subject to expenditures for specified purpose:				
Water Therapy for Veterans	\$ 105,600	\$	\$ (105,600)	\$ -
Capital Campaign	6,937		(6,646)	291
Support New Facility	-	60,000	(60,000)	-
Total	<u>\$ 112,537</u>	<u>\$ 60,000</u>	<u>\$ (172,246)</u>	<u>\$ 291</u>

Note 8. Operating Leases

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, 2023, the lessor abated \$5,499 of rent payments. Lease expense was \$63,455 for the year ended December 31, 2023.

Lease liability maturities as of December 31, 2023, are as follows:

2024	\$ 64,023
2025	65,944
2026	68,941
2027	71,010
2028	73,140
Thereafter	192,282
Total Lease Payments	<u>535,339</u>
Less: Present Value Adjustment	<u>(33,926)</u>
Present Value of Lease Liability	<u>\$ 501,413</u>

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2023

Note 8. Operating Leases (Cont.)

The remaining lease term, including option to extend, and discount rate related to lease liability as of December 31, 2023 were 7.5 years and 1.63%.

Note 9. Contributed Nonfinancial Assets

For the year ended December 31, 2023, contributed nonfinancial assets recognized within the statement of activities included:

Accounting services	\$ 3,763
Therapy services	150
	<u>\$ 3,913</u>

The Organization recognized contributed nonfinancial assets within revenue. Contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services are valued and reported at the estimated fair value in the financial statements based on current rates for similar therapy and accounting services.

Note 10. Management's Review and Subsequent Events

Management evaluated subsequent events through September 6, 2024, 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.