



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, 2024

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, 2024, 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, 2024, 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' 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 6, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wave Academy
dba Healing Wave Aquatics
Statements of Financial Position
December 31, 2024
(With Comparative Information for December 31, 2023)

	2024	2023
ASSETS		
Cash	\$ 421,145	\$ 321,019
Prepaid Expenses	2,342	4,344
Deposits	5,610	5,610
Cash Restricted to Building Project	-	291
Furniture and Equipment	16,120	17,320
Leasehold Improvements	935,145	935,145
Less: Accumulated Depreciation and Amortization	(243,628)	(139,550)
Operating Right of Use Asset	417,522	477,752
TOTAL ASSETS	\$ 1,554,256	\$ 1,621,931
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 12,999	\$ 4,000
Payroll Liabilities	7,831	5,455
Operating Lease Liability	445,384	501,413
TOTAL LIABILITIES	466,214	510,868
NET ASSETS		
Without Donor Restrictions	1,088,042	1,110,772
With Donor Restrictions	-	291
TOTAL NET ASSETS	1,088,042	1,111,063
TOTAL LIABILITIES AND NET ASSETS	\$ 1,554,256	\$ 1,621,931

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, 2024
(With Summarized Comparative Information for December 31, 2023)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2024</u> <u>Total</u>	<u>2023</u> <u>Total</u>
SUPPORT AND REVENUE				
Contributions and Grants	\$ 351,384	\$ 208,000	\$ 559,384	\$ 544,599
Contributed Nonfinancial Assets	6,289		6,289	3,913
Pool Fees	25,429		25,429	12,174
Other Income	755		755	470
Special Event				
Gross Special Event Revenue	34,721		34,721	39,931
Less Cost of Direct Benefits to Donors	(11,932)		(11,932)	(6,971)
Contributed Assets	7,750		7,750	-
Less Use of Contributed Assets	<u>(7,750)</u>		<u>(7,750)</u>	<u>-</u>
Net Special Event	22,789	-	22,789	32,960
Interest	7,363		7,363	421
Net Assets Released from Restrictions	<u>208,291</u>	<u>(208,291)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>622,300</u>	<u>(291)</u>	<u>622,009</u>	<u>594,537</u>
EXPENSES				
Program Services	487,595		487,595	409,862
Supporting Services				
Management and General	61,685		61,685	110,821
Fundraising	<u>95,750</u>		<u>95,750</u>	<u>57,822</u>
TOTAL EXPENSES	<u>645,030</u>	<u>-</u>	<u>645,030</u>	<u>578,505</u>
CHANGE IN NET ASSETS	\$ (22,730)	\$ (291)	\$ (23,021)	\$ 16,032
Beginning Net Assets	<u>1,110,772</u>	<u>291</u>	<u>1,111,063</u>	<u>1,095,031</u>
Ending Net Assets	<u>\$ 1,088,042</u>	<u>\$ -</u>	<u>\$ 1,088,042</u>	<u>\$ 1,111,063</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, 2024
(With Summarized Comparative Information for December 31, 2023)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2024 Totals</u>	<u>2023 Totals</u>
Personnel and Related					
Salaries	\$ 207,380	\$ 17,223	\$ 20,903	\$ 245,506	\$ 229,045
Employee Benefits	3,328	832	1,040	5,200	5,200
Payroll Taxes	17,048	1,416	1,718	20,182	19,064
Staff Training	240	972	425	1,637	650
Total Personnel and Related	<u>227,996</u>	<u>20,442</u>	<u>24,087</u>	<u>272,525</u>	<u>253,959</u>
Operating Expenses					
Accounting		6,600		6,600	5,500
Aquatic Therapy	46,437			46,437	43,527
Bank and Payroll Processing	2,193	182	221	2,596	1,757
Contract Services	-	566	38,000	38,566	44,281
Contributed Nonfinancial Assets		6,289	7,750	14,039	3,913
Depreciation and Amortization	88,168	7,327	8,883	104,378	69,746
Dues and Subscriptions	1,139	3,425	3,713	8,277	9,621
Insurance	807	4,580		5,387	8,151
Internet and Telephone	2,190	182	221	2,593	3,225
Janitorial	4,130			4,130	5,263
Marketing and Advertising	1,736	3,998	12,222	17,956	13,534
Miscellaneous	292	235		527	256
Office Expenses	5,191	431	523	6,145	5,793
Pool Maintenance	7,433			7,433	11,331
Pool Supplies	2,015			2,015	2,442
Operating Lease	57,569	4,784	5,800	68,153	63,455
Repairs and Maintenance	19,641			19,641	1,013
Events		925	11,932	12,857	6,971
Travel and Conferences	3,353	279	338	3,970	3,453
Utilities	17,305	1,438	1,743	20,487	28,285
Total Operating Expenses	<u>259,600</u>	<u>41,242</u>	<u>91,345</u>	<u>392,187</u>	<u>331,517</u>
Total Expenses by Function	<u>\$ 487,595</u>	<u>\$ 61,685</u>	<u>\$ 115,432</u>	<u>\$ 664,712</u>	<u>\$ 585,476</u>
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors			(11,932)	(11,932)	(6,971)
Contributed Nonfinancial Assets			(7,750)	(7,750)	-
Total Expenses Included in Expense Section on the Statement of Activities	<u>\$ 487,595</u>	<u>\$ 61,685</u>	<u>\$ 95,750</u>	<u>\$ 645,030</u>	<u>\$ 578,505</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, 2024
(With Comparative Information for December 31, 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (23,021)	\$ 16,032
Adjustments to reconcile change in net assets to net cash provided by or (used in) operating activities:		
Depreciation and Amortization	104,378	69,746
Right of Use Asset Amortization	60,230	64,233
(Increase) Decrease in:		
Prepaid Expenses	2,002	11
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	8,999	(890)
Payroll Liabilities	2,376	(2,328)
Operating Lease Liability	(56,029)	(53,248)
Net cash provided by operating activities	98,935	93,556
Cash flows from investing activities:		
Leasehold Improvements	-	(6,795)
Disposition of property and equipment	900	-
Net cash provided (used) in investing activities	900	(6,795)
Net Change in Cash and Restricted Cash	\$ 99,835	\$ 86,761
Cash and Restricted Cash, beginning of year	321,310	234,549
Cash and Restricted Cash, end of year	\$ 421,145	\$ 321,310
Supplemental Disclosure of Cash Flow Information		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 63,953	\$ 56,659

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, 2024

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.

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, 2024.

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.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2024

Note 2. Summary of Significant Accounting Policies (Continues)

Income Tax Status (Continues): 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, 2024.

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.

Compensated Absences: Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. Accrued vacation liability of \$2,203 as of December 31, 2024 is included in payroll liability in the accompanying statement of financial position.

Revenue Recognition: Revenue from programs is recognized when the Organization transfers promised goods or services to customers in an amount that reflects consideration to which the Organization expects to be entitled in exchange for those goods and services. Program service fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Special event revenue is recognized immediately, unless there is a right of return if the special event does not take place. 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.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2024

Note 2. Summary of Significant Accounting Policies (Continues)

Advertising Expenses: Advertising costs are expensed as incurred.

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 employee benefits, payroll taxes, depreciation and amortization, office expenses, rent and utilities, and others which are allocated on the basis of estimates of time and effort.

Leases: Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases. 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.

The discount rate is the rate implicit in the lease if it is readily determinable. The Organization elected the option to use the U.S. Treasury rate based on the information available at the commencement date for each lease for leases where the implicit rate is not readily determinable.

The Organization elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

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, 2023 from which the summarized information was derived. Certain reclassifications have been made to the December 31, 2023 financial statements presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to the reclassifications.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2024

Note 3. Property and Equipment

Property and equipment at December 31, 2024 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 7).

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 two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

For the year ended December 31, 2024, approximately 73% or \$460,000 of the Organization's contribution revenue were from two donors.

Note 6. Liquidity and Availability of Financial Assets

The Organization has \$421,145 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. 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. Lease expense was \$68,153 for the year ended December 31, 2024.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2024

Note 7. Operating Leases (Continues)

Lease liability maturities as of December 31, 2024, are as follows:

2025	\$	65,944
2026		68,941
2027		71,010
2028		73,140
2029		75,330
Thereafter		116,952
Total Lease Payments		<u>471,317</u>
Less: Present Value Adjustment		<u>(25,933)</u>
Present Value of Lease Liability	\$	<u><u>445,384</u></u>

The remaining lease term, including option to extend, and discount rate related to lease liability as of December 31, 2024 were 6.5 years and 1.63%.

Note 8. Contributed Nonfinancial Assets

For the year ended December 31, 2024, contributed nonfinancial assets recognized within the statement of activities included:

Accounting Services	\$	6,289
Event Rentals		5,000
Selfie Photo Station		500
Drinks		250
Entertainment Services		2,000
	\$	<u><u>14,039</u></u>

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

Contributed accounting services are used for management and general activities and are recognized at fair value based on current rates for similar accounting services. Contributed entertainment services are utilized during special event and are recognized at fair value based on current rates for similar services. Contributed event rentals, selfie photo station, and drinks are utilized during special event. In valuing event rentals, selfie photo station, and drinks the Organization estimates the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Wave Academy
dba Healing Wave Aquatics
Notes to Financial Statements
Year Ended December 31, 2024

Note 9. Management's Review and Subsequent Events

Management evaluated subsequent events through August 15, 2025, 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.