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Independent Auditor's Report

To the Board of Directors of
WAVES, Inc.
Franklin, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of WAVES (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WAVES as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Other Information

The audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the WAVES' basic financial statements. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including and comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2016 on the consideration of WAVES' internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

October 31, 2016

WAVES, INC.

Statement of Financial Position

June 30, 2016

Assets

Current assets:

Cash	\$	300,138
Accounts receivable		176,328
Unconditional promises receivable		85,000
Prepaid assets		2,981
Total current assets		<u>564,447</u>

Property and equipment at cost:

Land and building		414,574
Vehicles		545,679
Furniture and equipment		79,418
Less: accumulated depreciation		<u>(807,877)</u>
Net property and equipment		<u>231,794</u>

Security deposit

6,265

Total assets

\$ 802,506

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	26,419
Accrued expenses		102,570
Current portion of long-term debt		28,778
Total current liabilities		<u>157,767</u>

Long-term debt

103,580

Total liabilities

261,347

Net assets:

Temporarily restricted		85,000
Unrestricted		<u>456,159</u>
Total net assets		<u>541,159</u>

Total liabilities and net assets

\$ 802,506

WAVES, INC.

Statement of Activities

For the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Public support:			
State of Tennessee funding	\$ 2,271,120	-	2,271,120
Private pay	96,313	-	96,313
United Way	-	85,000	85,000
City and County	64,559	-	64,559
In-kind	24,660	-	24,660
Recycle fees	48,815	-	48,815
Contributions	43,646	-	43,646
Interest	627	-	627
Fundraising	34,240	-	34,240
Net assets released from restrictions:			
United Way funding for the year 2015-2016	102,874	(93,950)	8,924
Total public support and revenues	<u>2,686,854</u>	<u>(8,950)</u>	<u>2,677,904</u>
Expenses:			
Program services	2,107,143	-	2,107,143
Management and general	558,372	-	558,372
Fundraising	75,155	-	75,155
Total functional expenses	<u>2,740,670</u>	<u>0</u>	<u>2,740,670</u>
Increase (decrease) in net assets	<u>(53,816)</u>	<u>(8,950)</u>	<u>(62,766)</u>
Beginning of year net assets	509,975	93,950	603,925
End of year net assets	<u>\$ 456,159</u>	<u>85,000</u>	<u>541,159</u>

Program Services

	Residential Services	Day services	Employment Services	Early Learning	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	1,022,812	273,011	43,136	66,672	1,405,631	325,620	43,314	368,934	1,774,565
Employee Benefits	140,955	51,179	6,102	3,928	202,164	45,384	1,529	46,913	249,077
Payroll taxes	70,057	17,634	4,200	4,511	96,402	35,704	2,660	38,364	134,766
Travel and vehicle expenses	55,957	41,095	1,399	5,771	104,222	27,969	932.00	28,901	133,123
Printing/Supplies	34,590	7,923	1,725	1,067	45,305	14,682	3,435	18,117	63,422
Professional services	15,263	4,851	796	405	21,315	29,883	12,242	42,125	63,440
Occupancy	83,744	37,231	3,954	12,051	136,980	54,510	6,583	61,093	198,073
Training	703	3,440	22	1,182	5,347	1,600	101	1,701	7,048
Information Technology	29,033	8,305	1,661	2,608	41,607	14,019	2,066	16,085	57,692
Miscellaneous	7,800	881	3	334	9,018	6,700	2,135	8,835	17,853
Interest	5,592	0	0	0	5,592	0	0	0	5,592
Depreciation	23,343	9,169	0	1,049	33,561	2,301	158	2,459	36,020
Total Expenses	1,489,849	454,719	62,998	99,578	2,107,143	558,372	75,155	633,526	2,740,670

WAVES, INC.

Statement of Cash Flows

For the year ended June 30, 2016

Cash flows from operating activities:	
Support and revenue received	\$ 2,686,210
Cash paid for:	
Salaries and related expenses	(2,158,408)
Program and support services	(581,392)
Net cash provided by operating activities	<u>(53,590)</u>
Cash flows used by financing activities:	
Payments of principal on loans	(26,103)
Net cash used by financing activities	<u>(26,103)</u>
Cash flows used by investing activities:	
Acquisition of property and equipment	0
Net cash used by investing activities	<u>0</u>
Net increase in cash	(79,693)
Cash and cash equivalents at beginning of year	379,831
Cash and cash equivalents at end of year	\$ <u><u>300,138</u></u>
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities	
Increase (decrease) in net assets	\$ (62,766)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	36,020
Changes in assets (increase) decrease:	
Accounts receivable	(1,545)
Unconditional promises to give	8,950
Prepaid assets	(1,713)
Changes in liabilities increase (decrease)	
Accounts payable	15,102
Accrued expenses	(47,638)
Net cash provided by operating activities	\$ <u><u>(53,590)</u></u>

The accompanying notes are an integral part of these statements.