

**WAVES, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

# WAVES, INC.

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# FINANCIAL SECTION

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**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, 2017, 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 qualified audit opinion.

**Basis for Qualified Opinion**

Due to employee turnover in a key accounting position, accounting procedures were not properly performed in the areas of accounts receivable and related revenues. I was unable to obtain sufficient appropriate audit evidence about the amounts recognized for accounts receivable and revenue collected by the Organization for the year ended June 30, 2017, because of the lack of accounting procedures in these significant areas. As such, I was unable to determine whether any adjustments to those amounts were necessary.

**Qualified Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of WAVES as of June 30, 2017, 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 December 15, 2017 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.

December 15, 2017

# FINANCIAL STATEMENTS

# WAVES, INC.

## Statement of Financial Position

June 30, 2017

### Assets

#### Current assets:

Cash	\$	178,433
Accounts receivable		110,715
Unconditional promises receivable-		100,550
Unconditional promises receivable- United Way		85,000
Prepaid assets		28,000
Total current assets		<u>502,698</u>

#### Property and equipment at cost:

Land and building		414,574
Vehicles		642,755
Furniture and equipment		84,703
Less: accumulated depreciation		<u>(815,296)</u>
Net property and equipment		<u>326,736</u>

#### Security deposit

6,265

#### Total assets

\$ 835,699

### Liabilities and Net Assets

#### Current liabilities:

Accounts payable	\$	40,671
Accrued expenses		102,654
Deferred revenue		11,000
Current portion of long-term debt		<u>30,217</u>
Total current liabilities		<u>184,542</u>

#### Long-term debt

75,199

#### Total liabilities

259,741

#### Net assets:

Temporarily restricted		85,000
Unrestricted		<u>490,958</u>
Total net assets		<u>575,958</u>

#### Total liabilities and net assets

\$ 835,699

# WAVES, INC.

## Statement of Activities

For the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Public support:			
State of Tennessee funding	\$ 2,413,314	-	2,413,314
Grants	211,188	-	211,188
Private pay	72,776	-	72,776
United Way	-	85,000	85,000
City and County	74,045	-	74,045
In-kind	24,660	-	24,660
Recycle fees	55,327	-	55,327
Contributions	151,646	-	151,646
Interest	472	-	472
Fundraising	82,723	-	82,723
Net assets released from restrictions:			
United Way funding for the year 2016-2017	85,000	(85,000)	0
Total public support and revenues	<u>3,171,151</u>	<u>0</u>	<u>3,171,151</u>
Expenses:			
Program services	2,528,705	-	2,528,705
Management and general	532,909	-	532,909
Fundraising	74,738	-	74,738
Total functional expenses	<u>3,136,352</u>	<u>0</u>	<u>3,136,352</u>
Increase (decrease) in net assets	<u>34,799</u>	<u>0</u>	<u>34,799</u>
Beginning of year net assets	456,159	85,000	541,159
End of year net assets	<u>\$ 490,958</u>	<u>85,000</u>	<u>575,958</u>

The accompanying notes are an integral part of these statements.



# WAVES, INC.

## Statement of Functional Expenses

For the year ended June 30, 2017

		Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$	1,696,253	328,454	39,927	2,064,634
Employee benefits		218,216	7,469	1,068	226,753
Payroll taxes		124,307	31,147	2,177	157,631
Travel and vehicle expense		146,630	15,132	451	162,213
Supplies		58,811	16,876	3,579	79,266
Professional services		15,352	40,913	10,650	66,915
Occupancy		142,474	27,911	13,147	183,532
Training			27,658	-	27,658
Information Technology		62,507	34,870	2,997	100,374
Miscellaneous		21,738	2,479	584	24,801
Interest		4,562	-	-	4,562
Depreciation		37,855	-	158	38,013
Total Expenses	\$	<u>2,528,705</u>	<u>532,909</u>	<u>74,738</u>	<u>3,136,352</u>

The accompanying notes are an intergal part of these statements.

# WAVES, INC.

## Statement of Cash Flows

For the year ended June 30, 2017

Cash flows from operating activities:	
Support and revenue received	\$ 3,136,214
Cash paid for:	
Salaries and related expenses	(2,449,018)
Program and support services	(649,004)
Net cash provided by operating activities	<u>38,192</u>
Cash flows used by financing activities:	
Payments of principal on loans	<u>(26,942)</u>
Net cash used by financing activities	(26,942)
Cash flows used by investing activities:	
Acquisition of property and equipment	<u>(132,955)</u>
Net cash used by investing activities	(132,955)
Net increase in cash	(121,705)
Cash and cash equivalents at beginning of year	300,138
Cash and cash equivalents at end of year	\$ <u><u>178,433</u></u>

### Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities

Increase (decrease) in net assets	\$ 34,799
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	38,013
Changes in assets (increase) decrease:	
Accounts receivable	65,613
Unconditional promises to give	(100,550)
Prepaid assets	(25,019)
Changes in liabilities increase (decrease)	
Accounts payable	14,252
Accrued expenses	84
Deferred revenue	11,000
Net cash provided by operating activities	\$ <u><u>38,192</u></u>

The accompanying notes are an integral part of these statements.

# NOTES TO THE FINANCIAL STATEMENTS

## WAVES, INC.

### Notes to the Financial Statements

June 30, 2017

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Nature of Activities

WAVES, Inc. is a non-profit organization in Williamson County, Tennessee. The Organization's mission is to enable persons with disabilities to achieve their highest level of functioning and progress toward their full potential.

##### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and recommendations of the American Institute of Certified Public Accountants in its industry audit and accounting guide, Not-for-Profit Organizations.

##### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SAS) No. 117, *Financial Statements of Not -For-Profit Organizations*. Under SAS No. 117, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization has discontinued its use of fund accounting.

##### Contributions

In accordance with SAS 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

##### Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

## WAVES, INC.

### Notes to the Financial Statements

June 30, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### Donated Services

WAVES, Inc. receives many hours of donated time from various citizens. It is impractical to estimate a value for these services, as such no such value has been placed on these services in the WAVES, Inc.'s financial statements.

##### Donated Rent

WAVES, Inc. receives office space rent free. These amounts are recorded at their fair value as in-kind revenue and as rental expense in the financial statements.

##### Donor -Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor- stipulated time restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

##### Depreciation

Depreciation is provided for over the estimated useful lives of the assets. Assets are depreciated using the straight-line method of depreciation.

##### Promises to Give/Pledges

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

##### Functional Allocation of Expenses

The costs of providing the WAVES, Inc's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs may have been allocated among the programs and supporting services benefited.

##### Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

# WAVES, INC.

## Notes to the Financial Statements

June 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Deferred Revenue

Deferred revenue is recorded when a potential revenue does not meet the measurable and available criteria for recognition in the current period. In subsequent periods, when both of these criteria are met, revenue is recognized.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Economic Dependence

Approximately 76% of WAVES, Inc.'s revenues (see Qualified opinion of pages 1-2) for the year ended June 30, 2017, was from contracts with various Governmental agencies. These agencies may, at its discretion, request reimbursement of expenses or return of funds, or both as a result of non-compliance by the WAVES, Inc. with the terms of the programs.

### 2. PROPERTY AND EQUIPMENT

A summary of property and equipment activity is noted below:

	Balance <u>6/30/16</u>	<u>Addition</u>	<u>Retirement</u>	Balance <u>6/30/17</u>
Land and buildings	\$ 414,574	-	-	414,574
Vehicles	545,679	127,670	30,594	642,755
Furniture and equipment	<u>79,418</u>	<u>5,285</u>	<u>-</u>	<u>84,703</u>
Total	1,039,671	132,955	30,594	1,142,032
Less: Accumulated depreciation	<u>(807,877)</u>			<u>(815,296)</u>
Net assets	\$ <u>231,794</u>			<u>326,736</u>

Depreciation expense for the year ended June 30, 2017 was \$38,013.

**WAVES, INC.**

**Notes to the Financial Statements**

**June 30, 2017**

**3. LONG -TERM DEBT**

Long-term debt at June 30, 2017 consists of the following:

Note payable in monthly payments, collateralized by Land and Buildings of the Organization.	<u>105,416</u>
Less amount classified as current	<u>30,217</u>
Total long-term debt excluding current portion	<u><u>75,199</u></u>

Principal requirements of long-term debt in the next five years consists of:

2018	30,217
2019	31,728
2020	32,614
2021	<u>10,857</u>
Total	105,416