

2021

Financial Statements

With Supplementary
Information

WAVES, INC.

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2021

(With Independent Auditor's Report Thereon)

WAVES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021

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WAVES, INC.
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2021

<u>Tom Stearns, Honorary Board Chair</u>	<u>Jim Gilchriest, Vice President</u>
<u>Jared King, Secretary</u>	<u>Hailey Blank, Director</u>
<u>Denice Demers, Director</u>	<u>Zachary McMillan, Director</u>
<u>Embry Nichols, Director</u>	<u>Roberto Ramirez, Director</u>
<u>Debbie Millhouse Sokol, Director</u>	<u>Trish Stiles, Director</u>
<u>Danielle Williams, Director</u>	<u>Rebekah Zeitlin, Director</u>
<u>George Zubulake, Director</u>	



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Waves, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Waves, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, we 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waves, Inc. as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the beginning balance for accumulated depreciation was overstated and required a prior period adjusting entry to correct. Our opinion is not modified with respect to that matter.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and roster of Board of Directors as required by Tennessee Comptroller of the Treasury Division of Local Government Audit, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of Waves, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Waves, Inc.'s 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 Waves, Inc.'s internal control over financial reporting and compliance.



December 22, 2021

WAVES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets:

Cash	\$ 894,679	
Accounts receivable - state agencies	88,776	
Accounts receivable - other	4,253	
Prepaid expenses	31,941	
Total current assets		\$ 1,019,649

Property and equipment:

Land and Buildings	412,778	
Vehicles	348,909	
Furniture and equipment	74,915	
Less: accumulated depreciation	(631,346)	
Net property and equipment		205,256

Assets Whose Use Is Limited:

Contributions receivable	97,089	
Total assets whose use is limited		97,089
Total Assets		<u>\$ 1,321,994</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Current portion of long-term debt	\$ 8,810	
Accounts payable	8,786	
Other payables	180,597	
Total current liabilities		\$ 198,193
Total Liabilities		198,193

Net Assets:

Without donor restrictions	1,026,712	
With donor restrictions	97,089	
Total net assets		1,123,801
Total Liabilities and Net Assets		<u>\$ 1,321,994</u>

See accompanying notes to financial statements.

WAVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Gross special event revenue	\$ 24,130	\$ -	\$ 24,130
Less direct costs of special events	-	-	-
Net special events revenue	<u>24,130</u>	<u>-</u>	<u>24,130</u>
Revenues:			
Tennessee DIDD	1,814,163	-	1,814,163
Grants	384,469	-	384,469
Private pay	19,081	-	19,081
TEIS	129,153	-	129,153
Room and board	24,234	-	24,234
Recycle fees	117	-	117
Contributions	104,452	97,089	201,541
In-Kind	60,660	-	60,660
Rental income	14,325	-	14,325
Interest income	16	-	16
Miscellaneous income	1,628	-	1,628
Net assets released from restriction	97,268	(97,268)	-
Total revenues	<u>2,649,566</u>	<u>(179)</u>	<u>2,649,387</u>
Total public support and revenue	2,673,696	(179)	2,673,517
Expenses:			
Program services	2,092,515	-	2,092,515
Management and general	621,765	-	621,765
Fundraising	73,370	-	73,370
Total functional expenses	<u>2,787,650</u>	<u>-</u>	<u>2,787,650</u>
Other gain/(loss):			
Extinguishment of debt	552,980	-	552,980
Loss on disposal of fixed assets	(26,391)	-	(26,391)
Total other gain/(loss)	<u>526,589</u>	<u>-</u>	<u>526,589</u>
Change in net assets	<u>412,635</u>	<u>(179)</u>	<u>412,456</u>
Net assets - beginning of year as previously stated	594,077	97,268	691,345
Prior Period Adjustment	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net Assets - beginning of year, as restated	<u>614,077</u>	<u>97,268</u>	<u>711,345</u>
Net Assets - end of year	<u>\$ 1,026,712</u>	<u>\$ 97,089</u>	<u>\$ 1,123,801</u>

See accompanying notes to financial statements.

WAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services					Supporting Services		
	Residential Services	Day Services	Employment Services	Early Learning Services	Total Program Services	Management and general	Fundraising	Total
Salaries	\$ 1,048,208	\$ 188,492	\$ 109,498	\$ 267,855	\$ 1,614,053	\$ 395,729	\$ 45,734	\$ 2,055,516
Employee benefits	39,995	-	-	86	40,081	7,025	-	47,106
Payroll taxes	86,217	11,075	3,650	3,264	104,206	21,108	1,149	126,463
Travel and vehicle expense	44,711	23,193	24,873	400	93,177	934	-	94,111
Supplies	23,507	11,766	1,198	990	37,461	20,927	2,706	61,094
Professional services	292	-	-	3,199	3,491	78,732	8,313	90,536
Occupancy	36,159	57,127	10,012	10,012	113,310	33,423	7,454	154,187
Training	-	-	735	2,570	3,305	669	-	3,974
Information technology	18,501	16,932	3,524	13,432	52,389	19,615	7,511	79,515
Miscellaneous	30,926	77	38	1	31,042	2,704	503	34,249
Depreciation	-	-	-	-	-	40,899	-	40,899
Total expenses by function	1,328,516	308,662	153,528	301,809	2,092,515	621,765	73,370	2,787,650
Less expenses included with revenues on the Statement of Activities:								
Direct cost of special events	-	-	-	-	-	-	-	-
Total expenses included in the expense section on the Statement of Activities	\$ 1,328,516	\$ 308,662	\$ 153,528	\$ 301,809	\$ 2,092,515	\$ 621,765	\$ 73,370	\$ 2,787,650

See accompanying notes to financial statements.

WAVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows From Operating Activities:

Change in net assets \$ 412,456

Adjustments to reconcile change in net assets
to net cash provided by operating activities:

Depreciation	\$	40,899	
Contributed vehicles		(36,000)	
Loss on disposal of fixed assets		26,391	
Extinguishment of debt		(540,402)	
Changes in:			
Accounts receivable - state agencies		132,400	
Accounts receivable - other		1,483	
Prepaid expenses		(12,389)	
Assets whose use is limited		179	
Accounts payable		(766)	
Other payables		2,697	
			(385,508)
Net cash provided by operating activities			26,948

Cash Flows from Investing Activities:

Purchases of property and equipment		(20,694)	
Proceeds from sale of property and equipment		11,000	
Net cash used in investing activities			(9,694)

Cash Flows from Financing Activities:

Payments on installment note payable		(25,263)	
Net cash used in financing activities			(25,263)

Net change in cash (8,009)

Cash - beginning of year 902,688

Cash - end of year \$ 894,679

Supplemental Data:

Noncash investing activities:			
Gifts of vehicles		36,000	

WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - Summary of Significant Accounting Policies

Description of Business and Program Services

In these notes, the terms "Organization", "we", "us" or "our" mean Waves, Inc. We are a community organization committed to empowering individuals with intellectual and developmental disabilities to progress toward their full potential. We accomplish this through securing all indicated resources and ensuring their effective use for the individuals we serve. We are further committed to serving as a vehicle for communicating the desires and needs of the persons we serve and to enhance the image of those persons in the community.

Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Receivables

Accounts receivable consist of noninterest-bearing amounts due for our program services. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. There was no balance allowed for doubtful accounts at June 30, 2021. Receivables from contracts with customers are reported as accounts receivable and contract liabilities are reported as deferred revenue in the accompanying financial statements. Contributions receivable are expected to be received within one year at net realizable value.

Revenue Concentration

We receive approximately 55% of our total support and revenue from the Tennessee Department of Finance and Administration – Division of Intellectual Disabilities Services and Bureau of TennCare. In the event of a significant reduction in the level of this support, our programs and activities could be affected.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is 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 met. There were no conditional promises to give at June 30, 2021.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. There were no such balances at June 30, 2021.

WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

We recognize revenue from our program services when the performance obligations of providing the services detailed in the contracts with the customer are performed. These services include providing assistance and oversight of individuals with disabilities for programs of the Organization as detailed on the statement of functional expenses. The performance obligations are considered met at a point in time for each of these services. Additionally, there were no balances received prior to the completion of performance obligations for the year ending June 30, 2021.

Functional Allocation of Expenses

The costs of program and supporting services 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 financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and utilities which are allocated on a square footage basis. Salaries and wages, benefits, payroll taxes, and professional services are allocated on the basis of time utilization. Office expenses, supplies and information technology as well as insurance is allocated based on usage.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all investment instruments without donor restrictions with an original maturity date of three months or less to be cash equivalents. At June 30, 2021, we had no cash equivalents.

Property and Equipment

Property and equipment are stated at cost, or if contributed, at fair market value at the date of the gift. Assets with a cost in excess of \$500 are capitalized. Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to thirty years. Maintenance and repairs are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At June 30, 2021, no assets were considered to be impaired.

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the Statement of Financial Position, consist of the following:

Financial assets for the year ended June 30, 2021:

Cash	\$ 894,679
Accounts receivable	<u>93,029</u>
	<u>\$ 987,708</u>

The Organization has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded in the qualitative information above.

In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to our annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. We consider cash to be readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 3 - Accounts Receivable

We classify accounts receivable into the following categories:

Accounts receivable - state agencies - Amounts represent a request for payment for services rendered under state contracts.

Accounts receivable - other - Amounts represent contracted receivables from various agencies.

Bad debts are recognized using the allowance method based on our evaluation of outstanding accounts. At June 30, 2021, no allowance was considered necessary.

At June 30, 2021, 100% of our accounts receivable were due from state agencies, and 100% of accounts receivable with donor restrictions was due from the United Way.

NOTE 4 - Other Payables

The following is a summary of other payables at June 30, 2021:

Salaries payable	\$ 92,717
Accrued leave payable	83,322
Miscellaneous payables	<u>4,558</u>
	<u>\$ 180,597</u>

WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – Net Assets With Donor Restrictions

The following is a summary of net assets with donor restrictions at June 30, 2021:

Community Impact Funding	\$ 97,089
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NOTE 6 - Leases

We lease various office equipment and real property under lease arrangements classified as operating leases. We have one operating lease for a copier with monthly payments of \$968 that expires on November 7, 2024. One lease agreement is for our main office in Franklin, Tennessee, which expires in January 2026, with monthly payments varying between \$4,323 and 4,865. We also have an operating lease for another office location in Franklin, Tennessee, which expires June 2022, with monthly payments of \$986. Finally, we have a lease agreement for our location in Fairview, Tennessee. The lease agreement for that location is for one dollar a month. We have estimated the fair value of this donated rent and recorded in-kind revenue and expense for this lease, see NOTE 9.

The following is a schedule of future minimum lease payments under the non-cancellable operating lease (copier) and the lease for our Franklin location as of June 30, 2021:

<u>Year Ending June 30</u>	
2022	\$ 75,970
2023	65,710
2024	67,333
2025	62,226
2026	34,055
	<u>\$ 305,294</u>

NOTE 7 - Employee Benefit Plan

We have a 403(b) retirement plan through Mutual of America that covers all employees who are regularly scheduled to work 1,000 hours or more per year and have worked for one year. We contribute an amount equal to each participating employee's contribution, up to 2% of the employee's compensation for the year. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The amount contributed by us for the year ended June 30, 2021, was \$32,694 .

NOTE 8 - Concentration of Credit Risk

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant credit risk on our cash.

NOTE 9 - Donated Facilities

The following donated services have been included in revenues and expenses (occupancy) in the financial statements for the year ended June 30, 2021:

Fairview facility rent	<u>\$ 60,660</u>
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WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - Prior Period Adjustment

The accumulated depreciation balance reported in the prior year was overstated by \$20,000 and corrected during the year ending June 30, 2021, as shown on the statement of activities.

NOTE 11 - New Pronouncements

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 12 - Subsequent Events

We have evaluated events subsequent to June 30, 2021. As of December 22, 2021, the date that the financial statements were available to be issued, no other events subsequent to the Statement of Financial Position date are considered necessary to be included in the financial statements for the year ended June 30, 2021.

WAVES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
<u>Federal Awards</u>					
<u>Pass-through Funding:</u>					
U.S. Department of Education through the TN Department of Education	Special Education - Grants for Infants and Families	84.181A	69640	\$ -	\$ 169,095
Total Program 84.181A					169,095
Federal Transit Administration through the TN Department of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities (NONCASH)	20.513	N/A	-	36,000
Federal Transit Administration through the TN Department of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	-	13,768
Total Program 20.513					49,768
<u>COVID Related Awards</u>					
U.S. Department of Treasury through the TN Department of Finance & Administration	Coronavirus Relief Fund	21.019	N/A	-	30,000
Total Program 21.019				-	30,000
U.S. Department of Health and Human Services	Provider Relief Funding	93.498	N/A	-	55,541
Total Program 21.019				-	55,541
TOTAL FEDERAL AWARDS				\$ -	\$ 304,404
<u>State Financial Assistance</u>					
TN Department of Education	Special Education - Grants for Infants and Families	N/A	69640	\$ -	\$ 245,218
TOTAL STATE AWARDS				\$ -	\$ 245,218
TOTAL FEDERAL AND STATE AWARDS				\$ -	\$ 549,622
<p>Note 1 - Basis of Presentation: This schedule was prepared on an accrual basis. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. These grants are 100% through to Waves, Inc., whom assume full audit responsibility.</p> <p>Note 2 - Indirect Cost Rate: Waves, Inc. allocates indirect costs using the Restricted Indirect Cost Rate (RICR) for its contracts. The RICR is calculated using the following, (General Management Costs + Fixed Costs) / Other Expenditures. The RICR applied for the DOE grant only, during the year was 9%.</p>					



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Waves, Inc.

We have audited, in accordance with the 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, the financial statements of Waves, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waves, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waves, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Waves, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year as item 2021-001 that we consider to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waves, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2021-001.

Waves, Inc.'s Response to Findings

Waves, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Current Year Findings and Management's Corrective Action Plan. Waves, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Patterson Handley & Bellentone

December 22, 2021

WAVES, INC.
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Waves, Inc.
2. Material weaknesses were identified during the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. See 2021-001 for description of the material weaknesses identified.
3. One instance of material noncompliance was disclosed during the audit.

FINDINGS—FINANCIAL STATEMENT AUDIT

2021-001

Criteria:	As a part of financial reporting and controls over financial reporting, the Organization should reconcile supporting documentation for all monthly and annual accrued accounts to the general ledger and investigate differences and make adjustments as necessary.
Condition:	Supporting documentation for accounts receivable, fixed assets, prepaid expenses, and salary accrual did not agree to the general ledger at year end and is not being reconciled regularly.
Perspective Information:	Some accrued accounts are being maintained, however most are not and require significant adjustments at year end to properly state the balances.
Cause:	Subsidiary ledgers are not being maintained and reconciled to the general ledger for monthly and annual accrued accounts. The most significant of which is related to accounts receivable, which are currently not recorded when billed.
Effect:	Material adjustments were proposed and recorded as a result of audit procedures, including a prior period adjustment.
Recommendations:	Reconcile the general ledger to supporting documentation for all financial statement balances on a regular basis.
Response:	See Management's Corrective Action Plan



Management's Corrective Action Plan

Issue	Target Date	Plan Action Steps	Progress	Date
Reconcile Supporting documentation to General Ledger	03/31/2022	Reconcile GL to supporting documentation for all balances on a regular basis	Update to be give in monthly management meetings.	

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lance Jordan", is written over a horizontal line.

Lance Jordan
Waves Inc, Executive Director

Additional 2022 Improvement actions:

Business office staff will ensure billing is reconciled with payments for all accounts by end of 2022.

WAVES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Financial Statement Finding

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2020-001	Insufficient supporting documentation for DIDD billings	Corrected
2020-002	SSA authorization forms were not maintained by the Organization	Corrected
2020-003	ECF authorization forms were not maintained by the Organization.	Corrected
2020-004	Amounts recorded in the general ledger for accounts receivable and accruals are not being reconciled to supporting documentation.	Repeated/ 2021-001